



★
No 9332.6747^a43

4-6



GIVEN BY

U.S. Senate Comm. on Banking &
Currency

The CHAIRMAN. You spoke of the necessity of stabilizing, from neither too high nor too low. What do you consider the proper basis of value of stocks on the market?

Mr. LINDLEY. The proper value?

The CHAIRMAN. The basis for value.

Mr. LINDLEY. Supply and demand.

The CHAIRMAN. Not earning power?

Mr. LINDLEY. It was not in 1929 and it is not now.

The CHAIRMAN. Well, that is exactly the point I am trying to get at, whether you look up 1929 as the ideal condition.

Mr. LINDLEY. No, sir; any more than I do 1932 as the ideal condition.

The CHAIRMAN. But you feel that the trading in the stock is what determines the value?

Mr. LINDLEY. No, sir.

The CHAIRMAN. Supply and demand, you said?

Mr. LINDLEY. Yes, sir.

The CHAIRMAN. Is that not reflected by the trading?

Mr. LINDLEY. Not necessarily.

The CHAIRMAN. How else would supply or demand be reflected except by the buying and selling?

Mr. LINDLEY. Where I wish to buy stock for one individual, I do not call that supply and demand.

The CHAIRMAN. But ordinarily the market determines the supply and the demand?

Mr. LINDLEY. Yes, sir.

The CHAIRMAN. And you do not think the earning power of the stock itself is the important factor in value?

Mr. LINDLEY. Well, that is a very difficult question to answer.

The CHAIRMAN. Does it not really get down to that in the long run?

Mr. LINDLEY. I do not think so; no, sir. I think that because some of our large corporations and railroads are not earning money now is no reason——

The CHAIRMAN. No; but they have got 50 years of earnings perhaps back of them, of course.

Mr. LINDLEY. That does not make any difference. If you are running a factory, and it has been running for 50 years, and all the windows are out and the machinery is not in order, you can not make any money out of that.

The CHAIRMAN. No; exactly so. The previous earnings might be considered a little like they are in the railroad stock.

Mr. LINDLEY. That is not anything that is going to help me.

The CHAIRMAN. No; exactly so. Therefore, I say, in the long run it gets down to whether it earns anything or not, does it not?

Mr. LINDLEY. It should, primarily; yes, in the long run.

The CHAIRMAN. Yes. That is the point exactly. Instead of the trading. I thank you very much.

Mr. LINDLEY. Thank you, sir.

The CHAIRMAN. This practically concludes the investigation of the Kreuger & Toll matter, at least as far as hearings are concerned.

(Thereupon, at 4.45 p. m., Thursday, January 12, 1933, the hearing was adjourned subject to the call of the chairman.)

STOCK EXCHANGE PRACTICES

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE COMMITTEE ON BANKING AND CURRENCY UNITED STATES SENATE

SEVENTY-SECOND CONGRESS

SECOND SESSION

ON

S. Res. 84 and S. Res. 239

RESOLUTIONS TO THOROUGHLY INVESTIGATE PRACTICES
OF STOCK EXCHANGES WITH RESPECT TO THE
BUYING AND SELLING AND THE BORROWING
AND LENDING OF LISTED SECURITIES
THE VALUES OF SUCH SECURITIES
AND THE EFFECTS OF SUCH
PRACTICES

PART 5

(INSULL)

FEBRUARY 15, 16, AND 17, 1933

Printed for the use of the Committee on Banking and Currency



UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1933

13 parts,
Paris

U.S. ...
Sept 6, 1934

COMMITTEE ON BANKING AND CURRENCY

PETER NORBECK, South Dakota, *Chairman*

SMITH W. BROOKHART, Iowa.	DUNCAN U. FLETCHER, Florida.
PHILLIPS LEE GOLDSBOROUGH, Maryland.	CARTER GLASS, Virginia.
JOHN G. TOWNSEND, Jr., Delaware.	ROBERT F. WAGNER, New York.
FREDERIC C. WALCOTT, Connecticut.	ALBEN W. BARKLEY, Kentucky.
JOHN J. BLAINE, Wisconsin.	ROBERT J. BULKLEY, Ohio.
ROBERT D. CAREY, Wyoming.	THOMAS P. GORE, Oklahoma.
JAMES E. WATSON, Indiana.	EDWARD P. COSTIGAN, Colorado.
JAMES COUZENS, Michigan.	CORDELL HULL, Tennessee.
FREDERICK STEIWER, Oregon.	ROBERT R. REYNOLDS, North Carolina.

JULIAN W. BLOUNT, *Clerk*

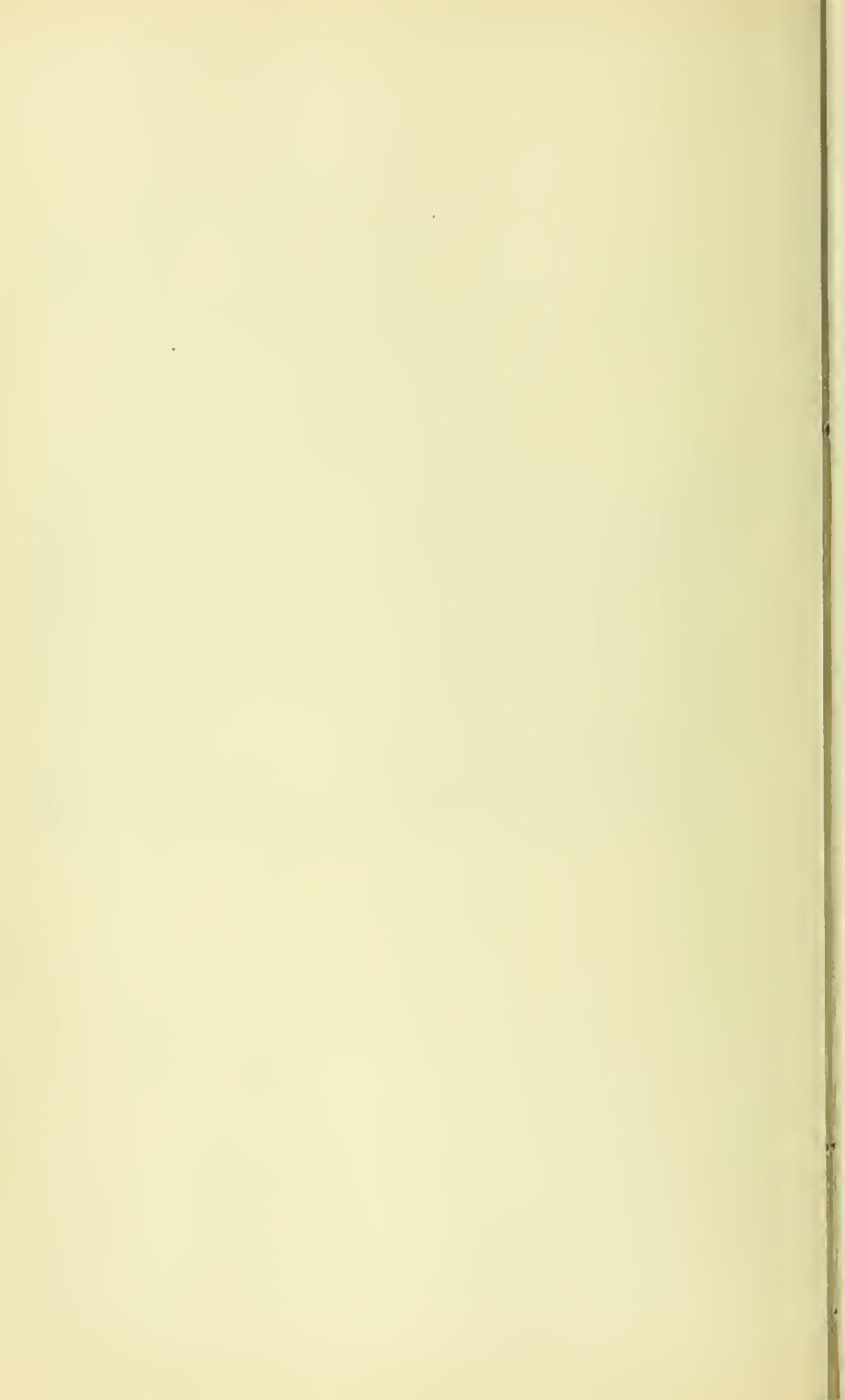
SUBCOMMITTEE ON SENATE RESOLUTIONS 84 AND 239

PETER NORBECK, South Dakota, *Chairman*

JOHN G. TOWNSEND, Jr., Delaware.	DUNCAN U. FLETCHER, Florida.
JOHN J. BLAINE, Wisconsin.	CARTER GLASS, Virginia.
JAMES COUZENS, Michigan.	EDWARD P. COSTIGAN, Colorado.

CONTENTS

Statement of—	Page
Broeksmit, John S., vice president, Harris Trust & Savings Bank, Chicago, Ill.-----	1742
Davis, Paul H., president Chicago Stock Exchange-----	1566
Dawes, Charles G., Central Republic Bank & Trust Co.-----	1529
Insull, jr., Samuel-----	1397
Insull, jr., Samuel (resumed)-----	1434
Insull, jr., Samuel (resumed)-----	1501
O'Keefe, John F.-----	1499
Stilwell, Abner J., vice president, Continental-Illinois National Bank & Trust Co., Chicago, Ill.-----	1728
Stuart, Harold L., president Halsey, Stuart & Co., Chicago, Ill.----	1589
Stuart, Harold L., president Halsey, Stuart & Co., Chicago, Ill. (resumed)-----	1642
Timmerman, Louis F., assistant vice president, Central Hanover Bank & Trust Co., New York City-----	1544
Traylor, Melvin A., president First National Bank, Chicago, Ill.----	1677
Tyler, Eduard M., certified public accountant, Washington, D.C.----	1688
Young, Owen D., chairman of the board of directors General Electric Co.-----	1507



STOCK EXCHANGE PRACTICES

WEDNESDAY, FEBRUARY 15, 1933

UNITED STATES SENATE,
SUBCOMMITTEE OF COMMITTEE ON BANKING AND CURRENCY,
Washington, D. C.

The subcommittee met, pursuant to call, at 10 o'clock a. m. in room 301, Senate Office Building, Senator Peter Norbeck presiding.

Present: Senators Norbeck (chairman), Couzens, Townsend, Blaine, Fletcher, and Costigan.

Present also: Senators Brookhart and Walcott.

Further present: Ferdinand Pecora, special counsel to the committee; Julius Silver and James B. McDonough, jr., associate counsel to the committee.

The CHAIRMAN. The committee will come to order. Mr. Pecora, who will be your first witness?

Mr. PECORA. Samuel Insull, jr., will please come forward and take a seat at the table opposite the committee reporter.

The CHAIRMAN. Mr. Insull, you will stand up and be sworn. You do solemnly swear that you will tell the truth, the whole truth, and nothing but the truth, regarding the matter now under investigation by the committee, so help you God?

Mr. INSULL. Yes, sir; I do.

The CHAIRMAN. You may take a seat.

TESTIMONY OF SAMUEL INSULL, JR., 72 W. ADAMS STREET, CHICAGO, ILL.

The CHAIRMAN. You may proceed, Mr. Pecora.

Mr. PECORA. Mr. Insull, will you give your full name and address to the committee reporter?

Mr. INSULL. Samuel Insull, jr., 72 West Adams Street, Chicago. That is my business address.

Mr. PECORA. What is your home address?

Mr. INSULL. 1242 Lake Shore Drive, Chicago.

Mr. PECORA. Are you connected with a corporation called Insull Utility Investments (Inc.)?

Mr. INSULL. I was, sir, up to the time of the receivership, and still hold a nominal office in the corporate entity.

Mr. PECORA. When did you become connected with that corporation originally?

Mr. INSULL. I was elected a vice president at or shortly after its formation in December, 1928, and subsequently was elected president. The exact date of my election as president I do not recall.

Mr. PECORA. About when was it?

Mr. INSULL. The record will show, but offhand I should say some time in 1930.

Mr. PECORA. What month, do you recall?

Mr. INSULL. I would say about May, but that is just the best recollection that I have.

Mr. PECORA. When was that corporation organized?

Mr. INSULL. It was organized either in December of 1928 or January of 1929.

Mr. PECORA. And you became vice president at the outset?

Mr. INSULL. Yes, sir.

Mr. PECORA. Who were the other executive officers of that corporation at the outset?

Mr. INSULL. Samuel Insull, president, and——

Mr. PECORA (interposing). Is that your father?

Mr. INSULL. Yes, sir. Martin J. Insull, vice president, and——

Mr. PECORA (interposing). Is that your uncle?

Mr. INSULL. Yes, sir. Philip J. McEnroe, treasurer, and I think secretary; John F. O'Keefe, either secretary or assistant secretary depending upon whether McEnroe occupied both offices, secretary and treasurer, or not.

Senator FLETCHER. And yourself?

Mr. INSULL. Yes; as one of the vice presidents.

Mr. PECORA. What business relationship, if any, did Mr. O'Keefe bear to your company?

Mr. INSULL. I just said what I thought it was.

Mr. PECORA. Well, what business relationship, if any, did Mr. O'Keefe bear to your father?

Mr. INSULL. He was his private secretary.

Mr. PECORA. And what business relationship, if any, did Mr. McEnroe bear to your father?

Mr. INSULL. I suppose you would call him his bookkeeper. But I do not mean to imply that he was merely a clerk.

Mr. PECORA. Do you know how long Mr. O'Keefe had been your father's private secretary before the incorporation of Insull Utility Investments (Inc.)?

Mr. INSULL. I entered business in 1922, and I think he was either his private secretary then or became so within a year or two, or certainly since 1925, or earlier.

Mr. PECORA. What was the form of organization of the corporation called Insull Utility Investments (Inc.)?

Mr. INSULL. Do you mean the personnel?

Mr. PECORA. What business was it organized to transact?

Mr. INSULL. It was organized, and it had charter powers to buy, hold, and trade in securities generally. The announced purpose was mainly to acquire and hold securities of the Commonwealth Edison Co., Peoples Gas Light & Coke Co., Public Service Co. of Northern Illinois, Middle-West Utilities Co., and their affiliated companies, but it did not necessarily restrict itself to such investments.

Mr. PECORA. Would you say, in other words, that the business it was organized to do was in the nature of an investment trust business?

Mr. INSULL. Yes, sir.

Mr. PECORA. And an investment trust designed to deal in public-utility company securities?

Mr. INSULL. In the main; yes, sir.

Mr. PECORA. In the main.

Mr. INSULL. Yes, sir.

Mr. PECORA. As a matter of fact, in the course of the operations conducted by that company from the time of its incorporation, that is what it did?

Mr. INSULL. Yes, sir; in the main.

Mr. PECORA. What was the capital structure of the corporation at the outset?

Mr. INSULL. I can not from my direct recollection, or from the personal notes that I have, testify exactly, but I think the record will show it.

Mr. PECORA. What records would show that, Mr. Insull?

Mr. INSULL. I would say that the minute books and books of account of the company would show it. Since the receivership I have had no custody of those books.

Mr. PECORA. I now show you a book which is marked on the binding "Insull Utility Investments (Inc.), No. 1, Stockholders and Directors." I ask you if that is the minute book that you have just referred to.

Mr. INSULL. To the best of my knowledge and belief it is. But I did not myself keep the minutes.

Mr. PECORA. Do you recognize it as being the original minute book of stockholders and directors meeting of that corporation?

Mr. INSULL. To the best of my knowledge; yes. I never had the custody of this particular book, so I don't think I should testify as to that.

Mr. PECORA. Will you look at it and see if you can not assure yourself from any signatures and entries contained in the book, that it is the real minute book of the company?

Mr. INSULL. If I might make a suggestion: It is signed, according to my belief, by Mr. McEnroe at some places, and some by Mr. O'Keefe, and if they identify their signatures then I identify the book. I just don't want to accept the responsibility for what I do not myself know.

Mr. PECORA. Was the minute book produced at meetings of the directors of the corporation at which you were present?

Mr. INSULL. Yes, sir.

Mr. PECORA. And you often saw it?

Mr. INSULL. Yes, sir.

Mr. PECORA. Is that the book that you saw, and do you recognize it as the minute book of the corporation?

Mr. INSULL. To the best of my knowledge and belief; yes. But I did not at that time make any minutes that I could look through and identify.

Mr. PECORA. Mr. Chairman, may this book be marked as an exhibit for identification?

The CHAIRMAN. Yes.

(The book referred to by special counsel to the committee as being marked "Insull Utility Investments (Inc.), No. 1, Stockholders and Directors," was received in evidence and identified by being marked "Exhibit No. 1.")

Mr. PECORA. Mr. Insull, will you consult that minute book for the purpose of refreshing your recollection, in order to enable you to tell us what the capital structure was of this company at its organization?

Mr. INSULL. Well, on page 7, there is a subscription to capital stock for 200 shares of stock, so I suppose it is the first incorporation.

Mr. PECORA. Those were merely for qualifying purposes, were they not?

Mr. INSULL. Yes, sir.

Senator FLETCHER. What was the par value of the stock?

Mr. INSULL. They say here in the certificate of incorporation—well, let me find it: No par value, sir.

Mr. PECORA. Let me ask you at that point—

Mr. INSULL (continuing). I am looking to see if there is a circular or statement.

Mr. PECORA. Well, perhaps we can get at it in this way: Do you know how many shares of stock the company was authorized to issue?

Mr. INSULL. Yes, sir.

Mr. PECORA. Now, how many and of what classifications?

Mr. INSULL. It was authorized to issue 250,000 shares of prior preferred stock, and—

Mr. PECORA (interposing). Of no par value?

Mr. INSULL. No par value; 250,000 shares of preferred stock, of no par value; and 3,000,000 of common stock, of no par value.

Senator COUZENS. Do you know what was put up in exchange for those shares?

Mr. INSULL. I may have that information, Senator, and will look.

Senator COUZENS. I did not want to interrupt the examination, but it seemed appropriate to put that in the record at this time.

Mr. PECORA. Yes; Senator Couzens.

Mr. INSULL. If I have not got it I will say that there are certain other witnesses here who, I think, will have it. I have not got it in my memorandum, but I think I could find it in the book.

Mr. PECORA. Will you please do that, Mr. Insull?

Mr. INSULL. Yes; I think I can. It was at one of the early meetings.

Mr. PECORA. Suppose you look at the minutes of the meeting held January 11, 1929, in that minute book.

Mr. INSULL. Well, there is a statement here but it refers to a previous meeting. It says—

The president then stated that there had been issued 40,000 shares of preferred stock and 764,200 shares of common stock.

Mr. PECORA. Now, according to that minute to whom were those shares issued at the outset?

Mr. INSULL. If I might continue reading:

Two hundred shares of common stock had been issued to the directors for cash* and were really directors' qualifying shares; 40,000 shares of preferred stock, and the remaining 764,000 shares of common stock had been issued to Samuel Insull, Margaret A. Insull, Martin J. Insull, and Samuel Insull, jr., in return for securities transferred by them to the company.

Mr. PECORA. Now, the Samuel Insull mentioned there, and the Margaret A. Insull mentioned there, are your father and mother, respectively, aren't they?

Mr. INSULL. Yes, sir.

Mr. PECORA. Do you find a minute of the issue of stock to any other person or persons at the outset?

Mr. INSULL. Well, it says this:

It was then decided to sell 60,000 shares of \$5.50 prior preferred stock, without par value of the company, with nondetachable common stock purchase warrants attached, and \$6,000,000 in principal amount of the company's 5 per cent gold debentures series A with nondetachable common stock purchase warrants attached.

Then follows a resolution.

Mr. PECORA. Sell those to whom?

Mr. INSULL. That the company had issued and sold to Halsey, Stuart & Co. at \$100 per share and accrued dividends, 60,000 shares of 5½ prior preferred stock. Then there is a subsequent resolution to sell bonds to Halsey, Stuart & Co.

Mr. PECORA. Before we get to that, go back to the issue of stock to your father, mother, and uncle; 764,000 shares of common stock and 40,000 shares of preferred stock. What was the consideration that was paid for those two blocks of stock by your father, your mother, and your uncle?

Mr. INSULL. And myself?

Mr. PECORA. Yes; and yourself.

Mr. INSULL. Well, we put in stocks of the Commonwealth Edison Co., Peoples Gas, Public Service Co., and Middle-West Co., and related utilities stocks, on the basis of their then market value.

Mr. PECORA. Well?

Mr. INSULL. We received in exchange for those the securities referred to. I should like to point out something there which does not show in the record.

Mr. PECORA. Well, now, of what value at the market did your family group turn over the securities of the companies that you have mentioned in return for those two blocks of preferred stock and common stock of the Insull Utility Investments (Inc.)?

Mr. INSULL. The securities we turned in were at the market at or near the day they were turned in.

Mr. PECORA. At what gross or total value?

Senator TOWNSEND. Were they listed on the Exchange?

Mr. INSULL. Yes, sir; they were listed. I think I can answer that question directly in this way, and it bears on the situation.

Mr. PECORA. All right.

Mr. INSULL. On January 11, 1929, the value of the securities put into Insull Utility Investments (Inc.) by my father, myself, and my mother—and I can not testify very well about my uncle because I have never kept his records—were of the aggregate market on that date of \$8,752,468.20.

Subsequently we had transactions in and out of securities of Insull Utility Investments (Inc.) and of Corporations Securities Co. of Chicago. But if you take the two together, at the time of the receivership the three individuals mentioned still had a net investment in stocks of the Insull Utility Investments (Inc.) and the Corporations Securities Co., based on the cost, less anything they had sold, plus anything additional they had bought, of \$8,523,658.99. On that is based some statements I have heard made that my father, my mother, and myself had unloaded.

Mr. PECORA. Before we get down to the securities in the portfolio of this investment company at the time of the receivership, let us go back to the issuance of those securities at the time of organization. Isn't it a fact that the 754,000 shares of common stock which were

issued to your family group on or about January 11, 1929, by Insull Utility Investments (Inc.), were issued at a price of \$7.54 per share?

Mr. INSULL. Yes, sir. And I should like to point out something in addition in that connection, however——

Mr. PECORA (interposing). Well now, wait. Isn't it also a fact that the 40,000 shares of preferred stock that were then issued to your family group were issued at a price or rate of \$100 per share?

Mr. INSULL. Yes, sir.

Mr. PECORA. And that made a total of \$9,765,908 at which the 754,000 shares of common stock and the 40,000 shares of preferred stock were issued to your family group.

Mr. INSULL. Rather than testify as to detail figures I prefer to confer with some other witnesses who are more closely in touch with them. Although I have no reason to believe that what you say is not so.

Mr. PECORA. Won't you find it in the minute book?

Mr. INSULL. It is rather difficult to put together, in a single statement, many resolutions. I could look it up but I would be afraid of wasting your time.

Mr. PECORA. Which witness do you want to confer with?

Mr. INSULL. Mr. Philip J. McEnroe.

Mr. PECORA. Mr. Chairman, I suggest that the witness be given that privilege.

The CHAIRMAN. There is no objection.

Senator FLETCHER. Before you go to confer with Mr. McEnroe may I ask: What is the difference between this prior preferred stock and the preferred stock? You had 250,000 of prior preferred stock and 250,000 of preferred stock, and I am talking now about shares.

Mr. INSULL. Yes.

Senator FLETCHER. What is the distinction between prior preferred and preferred as to rights?

Mr. INSULL. This prior preferred stock had a senior call on both earnings and assets in liquidation, and was the stock which was at that time sold to the public. The preferred stock was senior to the common stock but junior to the prior preferred stock.

Mr. PECORA. What voting rights did these various classes of stocks have?

Mr. INSULL. I think that each share of stock had a vote.

Mr. PECORA. Equal voting rights?

Mr. INSULL. That is my present impression. I think that is the Illinois law. I see nothing here that says otherwise.

Mr. PECORA. Did the shares of preferred stock carry with them any warrants or rights to purchase common stock at a given price?

Mr. INSULL. The preferred stock, 40,000 shares which my family took, and I among them, did not have its full dividend from the start. The record will show here that it started out at a rate of aggregate dividend less than the income on the securities we had turned in, and gradually increased. In other words, we gave up some of our dividends at the start.

And we did one other thing. You will note here in these resolutions that the securities were sold—that is, the debentures and the preferred stock, which was sold to Halsey, Stuart & Co., was sold to them at 100, and the record will show that that was the price at which they in turn offered it to the public.

MR. PECORA. No, Mr. Insull, my question is not that. The question propounded to you was whether or not the 40,000 shares of preferred stock that were issued at the outset to your family group, carried with them certain rights or warrants to purchase common stock at a specified figure.

MR. INSULL. We had the right to purchase—well, I will have to look it up. It was at 15, I believe, 200,000 shares for a period of two years, which we got in consideration of our taking a lower dividend on the preferred, and on our agreeing to serve the company without compensation for, I think, two years, and although it was not a direct consideration I wanted to point out in connection with that, because I think it is all material, that we provided Halsey, Stuart & Co. the selling or underwriting expense by giving them some of the 764,000 shares of common stock which was issued to us. We did that in order to enable the company to start off clear, without any discount on the securities.

MR. PECORA. Now, Mr. Insull, 40,000 shares of preferred stock carried with them the right to purchase 200,000 shares of common stock at a price of \$15 per share.

MR. INSULL. I think it was \$15 a share. I think the record somewhere shows that. If I could see a copy of those circulars they would likely show it, the original circulars.

MR. PECORA. At \$15 per share it says.

MR. INSULL. All right.

MR. PECORA. Were those rights exercised?

MR. INSULL. Yes; those rights were exercised.

MR. PECORA. When?

MR. INSULL. I think I could tell you that if I could find out about it from Mr. McEnroe. He has the information in detail.

SENATOR TOWNSEND. Would you like to consult Mr. McEnroe now?

MR. INSULL. It might save the time of the committee, and would help.

SENATOR TOWNSEND. Suppose we let Mr. McEnroe come up here to the table.

THE CHAIRMAN. The witness may confer with Mr. McEnroe at any time.

MR. INSULL. Mr. McEnroe, please come up here to the committee table and take a seat by me. I find it is December 31, 1929.

MR. PECORA. The rights were exercised December 31, 1929?

MR. INSULL. Yes, sir.

MR. PECORA. That is to say, your family group then purchased 200,000 shares of common stock at \$15 per share?

MR. INSULL. Yes, sir.

MR. PECORA. That made 964,000 shares of common stock that passed into the hands of your family group?

MR. INSULL. Yes, sir.

MR. PECORA. Now, in addition, at the outset of this corporation were not your family group given an option to buy an additional block of common stock at a special price?

MR. INSULL. I do not know that the option did run. I will consult Mr. McEnroe. My father undertook or was contracted to either buy or cause to be sold 250,000 shares at \$12 per share.

MR. PECORA. That option was given to your father at the outset of this company?

Mr. INSULL. It was given before any stock was listed and before they knew what the value of it would be. But he in turn had the obligation to pay the money.

Mr. PECORA. What money?

Mr. INSULL. \$3,000,000 for 250,000 shares at \$12. It was not an option. It was a contract as I understand it.

Mr. PECORA. It was an agreement or an option, wasn't it?

Mr. INSULL. It says:

The stockholder, Samuel Insull, hereby agrees to purchase or cause to be purchased within one year from the date hereof 250,000 additional shares of the common stock without par value of the company.

Mr. PECORA. That is, he obligated himself to buy 250,000 shares at \$12 per share?

Mr. INSULL. Yes, sir.

Mr. PECORA. Within one year?

Mr. INSULL. Yes, sir.

Mr. PECORA. Was that agreement carried out?

Mr. INSULL. Yes, sir.

Mr. PECORA. When?

Mr. INSULL. Well, by the 1st of March.

Mr. PECORA. Of 1929?

Mr. INSULL. Yes, sir. That is the best of my recollection.

Mr. PECORA. Within three months after the company was organized?

Mr. INSULL. Yes, sir; it was done right away.

Mr. PECORA. Now, that made a total of 1,214,000 shares of common stock of this company that passed into the hands of your family.

Mr. INSULL. No; that stock did not pass into the hands of my family. He contracted to either acquire it or cause it to be purchased. He caused it to be purchased by other people.

Mr. PECORA. At what price?

Mr. INSULL. At \$12 per share.

Mr. PECORA. When was that done?

Mr. INSULL. It was done right at the formation of the company. Whether it was before the stock was listed or afterward, I do not know. My impression is that it was before the stock was listed.

Mr. PECORA. When was the stock listed?

Mr. INSULL. The stock was listed at some date in January of 1929.

Mr. PECORA. I thought you said this 250,000 shares were transferred to your father, or issued to your father, some time in March of 1929.

Mr. INSULL. I said they were issued to him some time before March. Not having the record before me I do not want to make a statement that might have to be upset later on.

Mr. PECORA. The stock was listed in January of 1929?

Mr. INSULL. Yes, sir.

Mr. PECORA. On which board or exchange?

Mr. INSULL. The Chicago Stock Exchange.

Mr. PECORA. Are you certain that those 250,000 shares at \$12 a share were issued to your father before or after the stock was listed?

Mr. INSULL. Well, they were not issued to my father. They were issued direct to——

Mr. PECORA (interposing). They were issued either to your father or his assignees.

Mr. INSULL. That is right. I can not be positive, but I know the record will show the date of listing, and the date on which this stock was issued.

Mr. PECORA. What record will show the date of the issuance of 250,000 shares at \$12 a share?

Mr. INSULL. I should think the minute book would show it. I do not know that this is the right one to look at, and this includes the minutes of the directors. Mr. McEnroe, are the minutes of the finance committee also in here?

Mr. McENROE. No, sir.

Mr. INSULL. It is in the finance committee, I think. There was a directors' meeting in January, and then another one in March.

Mr. PECORA. Is this book that I now show you the minute book of the finance committee to which you have just referred?

Mr. INSULL. Yes, sir; I think so. January 21, I see here, is the first minute, but it does not here show it. Well, certainly the account books would show it.

Mr. PECORA. Have you the agreement that was made between the company and your father, your mother, and yourself, and your uncle, with respect to the purchase of those 250,000 shares at \$12 a share?

Mr. INSULL. That ran to my family only, and Mr. McEnroe has a copy here. Both the options are together.

Mr. PECORA. Produce the original, will you?

Mr. INSULL. Mr. McEnroe, have you got the original?

Mr. McENROE. No; but here is a copy.

Mr. INSULL. The original is in the custody of the receivers.

Mr. PECORA. Is this a copy of the agreement?

Mr. INSULL. Yes, sir. Mr. McEnroe says this is a copy.

Mr. PECORA. Mr. Chairman, I now desire to offer this in evidence. Senator FLETCHER (presiding). It will be received and made a part of the record.

COPY

Agreement, made this 17th day of January, 1929, by and between Samue Insull, Margaret A. Insull, Samuel Insull, jr., and Martin J. Insull (hereinafter called the stockholders), parties of the first part, and Insull Utility Investments (Inc.), a corporation organized and existing under and by virtue of the laws of the State of Illinois (hereinafter called the company), party of the second part, witnesseth as follows:

Whereas the company has been organized and is about to issue at \$100 per share 40,000 shares of its preferred stock first series without par value as part consideration for certain securities to be conveyed by the stockholders to the company, said 40,000 shares of stock to be issued as follows:

Twenty-five thousand four hundred fifty-six shares to Samuel Insull; 3,692 shares to Margaret A. Insull; 5,928 shares to Samuel Insull, jr.; and 4,924 shares to Martin J. Insull; and

Whereas each of the stockholders as a holder of such preferred stock is desirous of having the option of purchasing within a period of 2 years 5 shares of the common stock of the company at \$15 per share for each share of such preferred stock first series so issued to him or her, and the company is willing to give such option upon the terms, conditions and agreements hereinafter stated:

Now, therefore, in consideration of the premises, of the agreements hereinafter contained and of the fact that in contemplation of the execution of this agreement the annual dividend payable on said preferred stock first series has been fixed at \$2 per share for the first year, \$3 per share for the next year, \$4 per share for the next year, \$5 per share for the next year, and \$6 per share thereafter, the parties hereto do agree with each other as follows:

1. The company hereby gives—

(a) To the stockholder, Samuel Insull, the option to purchase at any time within two years after the date of this agreement, at \$15 a share, 127,280 shares of the common stock without par value of the company.

(b) To the stockholder, Margaret A. Insull, the option to purchase at any time within two years after the date of this agreement, at \$15 a share, 18,460 shares of the common stock without par value of the company.

(c) To the stockholder, Samuel Insull, jr., the option to purchase at any time within two years after the date of this agreement, at \$15 a share, 29,640 shares of the common stock without par value of the company.

(d) To the stockholder, Martin J. Insull, the option to purchase at any time within two years after the date of this agreement, at \$15 a share, 24,620 shares of the common stock without par value of the company.

The option hereby given to any stockholder may be assigned by such stockholder in whole or in part to anyone and may be exercised by such assignee without reference to the ownership of preferred stock.

2. The stockholders, Samuel Insull, Samuel Insull, jr., and Martin J. Insull, agree to serve the company for a period of two years from the date of this contract in any official capacity desired by the company without compensation.

3. The stockholder, Samuel Insull, hereby agrees to purchase or cause to be purchased within one year from the date hereof, 250,000 additional shares of the common stock without par value of the company at \$12 per share, and the company agrees to issue said shares to said Samuel Insull, or his nominees, from time to time during the year as the purchase price therefor is paid.

In witness whereof, the parties of the first part have hereunto set their hands and seals, and the party of the second part has caused this instrument to be executed as of the date first above mentioned.

SAMUEL INSULL. [SEAL.]

MARTIN J. INSULL. [SEAL.]

SAMUEL INSULL, JR. [SEAL.]

MARGARET A. INSULL. [SEAL.]

INSULL UTILITY INVESTMENTS (INC.),

By SAMUEL INSULL, *President*.

Attest:

P. J. McENROE, *Secretary*.

Mr. PECORA. Now, Mr. Insull, that agreement just received in evidence and spread on the record is dated January 17, 1929, isn't it?

Mr. INSULL. Yes, sir.

Mr. PECORA. And it was made between Samuel Insull, Margaret A. Insull, Samuel Insull, jr., and Martin J. Insull, parties of the first part, and Insull Utility Investments (Inc.), as party of the second part?

Mr. INSULL. Yes, sir.

Mr. PECORA. Under its terms and provisions, as you know, your father agreed to purchase or cause to be purchased within one year 250,000 shares of the common stock at \$12 per share. Is that right?

Mr. INSULL. That is right.

Mr. PECORA. Now, some time after the making of this agreement your father had issued to him or to his nominees this 250,000 shares of stock at \$12 per share.

Mr. INSULL. Yes, sir.

Mr. PECORA. Do you know what disposition was made of those shares by your father?

Mr. INSULL. In other words, to whom they were sold?

Mr. PECORA. Yes, sir. To whom were they eventually assigned, sold, or transferred?

Mr. INSULL. The list is in the receiver's records. Mr. O'Keefe have you got that? Well, I don't see him close by here.

Mr. McENROE. These examiners here have all of it.

Mr. PECORA. Is Mr. O'Keefe in the room?

MR. JOHN F. O'KEEFE. Yes. I do not have that list with me. It is my recollection that it was presented to the Federal court at the bankruptcy hearing.

MR. PECORA. Mr. Insull, I show you what purports to be a photostatic reproduction of a list entitled "Common Stock List." Will you look at it and see if you recognize it as being a true copy of a list of names of persons to whom were assigned or issued any of those 250,000 shares and the amount to each of those persons respectively?

MR. INSULL. Yes, sir; to the best of my recollection it is.

MR. PECORA. Now, do you know any of the persons named on that list as being persons holding any public office?

MR. INSULL. Let me see.

Senator BLAINE. At that time or now.

MR. PECORA. At that time, sir.

MR. INSULL. Well, Senator Blaine, or Mr. Pecora, I do not know all these people personally, so that I take it you merely want to know such of them as I know of.

MR. PECORA. Yes.

Senator BLAINE. You probably would know those who are holding office.

MR. INSULL. Well, I did not make up the list. I was responsible for putting certain people on it. It so happens that this is the first time I have gone through it in detail. Might I confer with one other gentleman, Mr. Condon, who is here, in order to refresh my recollection?

MR. PECORA. Undoubtedly.

MR. INSULL. There is one name here, Mr. Samuel A. Ettelson, room 514, City Hall, Chicago, 250 shares. He has been corporation counsel of Chicago, and from the address given I have reason to believe he was at that time.

Senator BLAINE. Has he been counsel for any of the Insull Utilities?

MR. INSULL. I do not know, sir, but not for any I was directly connected with. I only had certain definite responsibilities. At the present moment he is not, nor is he to my knowledge counsel for any of the receivers. Might I ask, would a general in the National Guard interest you. I do not know whether that is a public office or not, Milton J. Foreman.

Senator BLAINE. It is a public service, but is not an executive public office.

MR. INSULL. He was a general in the National Guard.

MR. PECORA. Can you find any more?

MR. INSULL. There is one name here I can not read. I will ask Mr. McEnroe to help me. Who is Herbert Lawler—oh, that is a chauffeur. [Laughter.] Here is L. E. Myers. Was he the president of the school board? At least there was one gentleman associated with my father in business, and he was also president of the school board at one time, but whether he was the president of the Chicago School Board at the time the stock was issued I do not know, because the address does not show it. Some of these names did not photostat very well. But Mr. McEnroe says this man I could not very well make out is a member of a trust company. Let me see, this is our common stock list, and what is this attached to it? Oh, here is the Middle West list, which is a part of the same thing, I believe. I will look that over. No, the names I mentioned, if I may ask the committee reporter to check them, are all that I can recall.

Mr. PECORA. Now, you stated that you had some responsibility for some of the names on this list of persons who were permitted to acquire this common stock at \$12 per share.

Mr. INSULL. Yes, sir.

Mr. PECORA. Who were those persons?

Mr. INSULL. At that time my principal job was vice president in executive charge of some utilities in Indiana. All the people for whom I was responsible were associates of mine in those utility companies. I could take them out if you want them. There were about eight or ten or them, but none of them was a public official.

Mr. PECORA. Isn't it a fact that this stock was listed and that trading took place in the stock on the Chicago Stock Exchange on January 17, 1929, for the first time?

Mr. INSULL. Well, it was about that time, according to my recollection. I think the record shows it all right.

Mr. PECORA. That was the date of this agreement under which your father acquired the right, or assumed the obligation, which ever you want to call it, of purchasing 250,000 shares of the common stock at \$12 per share.

Mr. INSULL. Yes, sir; that is the date of the agreement.

Mr. PECORA. Do you know at what price this stock was traded in on the Chicago Stock Exchange on the opening day?

Mr. INSULL. I should not attempt to testify to it, but I can give you what my impression is.

Mr. PECORA. Well, let us have your impression if that is the best you can do.

Mr. INSULL. Around \$30 a share.

Mr. PECORA. It was exactly \$30 a share, wasn't it?

Mr. INSULL. If the record shows that, yes. That is my best recollection.

Mr. PECORA. Do you know the extent of the trading on the floor of the Chicago Stock Exchange in the common shares of this company on that date?

Mr. INSULL. No, sir. I do not think I ever saw how many shares were traded in.

Mr. PECORA. Now, on the opening day for trading the only shares of common stock that actually were outstanding and that had been issued, were those that had been issued to your family group and to Halsey, Stuart & Co., were they not?

Mr. INSULL. Yes. This other stock was subscribed for, but that was the only stock to my recollection that was outstanding.

Mr. PECORA. And the stock which had been issued on or about January 17; or between December 28, 1928, which was the date of the incorporation of the company, and January 17, 1929, which was the date at which this stock was first traded in on the Chicago Stock Exchange, consisted of 764,000 shares issued to your family group, 250,000 shares referred to in this agreement of January 17, 1929; and those 764,000 shares were transferred to your father at a price of \$7.54 a share.

Mr. INSULL. Yes, sir. But as I made the point, that won't tie in with his records, because we all turned around and gave some to the bankers in order to take care of their expense.

Mr. PECORA. That was the price the company received for those 764,000 shares from your family group, wasn't it?

Mr. INSULL. Yes, sir.

Mr. PECORA. That is \$7.54 a share?

Mr. INSULL. Yes, sir.

Mr. PECORA. And within three weeks of the incorporation of the company those shares were traded in on the stock exchange in Chicago at an opening market price of \$30 per share?

Mr. INSULL. Yes, sir.

Senator BROOKHART. Just a moment. I find in this list of names, South Trimble, Washington Apartments, Washington, D. C., placed by Judge George A. Cooke, 1,000 shares. Who is Judge George A. Cooke?

Mr. INSULL. George A. Cooke is an attorney in Chicago who at that time and still is, I think, counsel for the Peoples Gas Light & Coke Co.

Mr. PECORA. Is that one of the operating companies that was formed to operate the so-called Insull group of public utilities?

Mr. INSULL. Yes, sir.

Mr. PECORA. Did he hold any public office at the time?

Mr. INSULL. I don't know who he was. Do you mean Judge Cooke?

Mr. PECORA. No. I mean South Trimble.

Mr. INSULL. I do not know who he was. As I say, I put certain names there, and I know all about them, and as to the others I only have general knowledge.

Mr. PECORA. How many men did Judge Cooke recommend for allotment to purchase shares at \$12 per share?

Mr. INSULL. I do not know. All I can do is to look up the number of people in his firm, and I do not know about the others, like that South Trimble one.

Mr. PECORA. I will come back to that later.

Mr. INSULL. I mean that I did not make up that list and so I do not know.

Mr. PECORA. Do you know the circumstances under which your father assigned to the various persons named in the list, I mean the list which has been offered in evidence here, the rights to buy those common shares at \$12 per share?

Mr. INSULL. Well, he had the right and the obligation to purchase stock. The most of those people there, as you go through the list, are the employees of the operating companies in Chicago.

Mr. PECORA. By "employees" do you mean officers?

Mr. INSULL. Officers, and they go down, as I pointed out, and as it happened here, with one of them who was a chauffeur, they go all the way down the line. Some are officers and some are employees. All that I directly know is that he asked me if there were any people in the Indiana properties, for which I was then responsible, who should be put on the list. I gave him the names. So I assumed he asked other people the similar question and that they gave him names.

Mr. PECORA. Do you know to what price those common shares rose on the second day on which they were traded in on the Chicago Stock Exchange?

Mr. INSULL. No, sir.

Mr. PECORA. Have you recollection that on the second day's trading those shares reached a price of \$40?

Mr. INSULL. No, sir. The next independent recollection I have was after some time, and I don't know whether that was in May or June, they were selling for 40 or 42. What they did in the meantime I do not know. No, I believe I now have an earlier recollection. My father was quite sick, and he had to go out of town, and he got a long-distance call that they were up to 40 some time in February. That was the next recollection I had. I am not saying they did not go to 40 the next day, but I just say I did not watch them in that way.

Mr. PECORA. When did your father or his nominees pay over to the company the \$12 per share for those 250,000 shares?

Mr. INSULL. Mr. McEnroe tells me that the direct answer to that is in the records, now under the control of the receivers. But generally speaking it was within a short time.

Mr. PECORA. That is, within a short time after January 17?

Mr. INSULL. Yes, sir.

Mr. PECORA. Two hundred and fifty thousand shares at \$12 per share would give an aggregate of \$3,000,000.

Mr. INSULL. Yes, sir.

Mr. PECORA. And at the market value that those shares acquired on the opening day, namely, January 17, 1929, they were worth \$7,500,000.

Mr. INSULL. Yes, sir.

Senator FLETCHER. What was the peak? In other words, how high did they go?

Mr. INSULL. Senator, they went to 147 or 149 some time in July or August. I always thought it was 147, but I heard the other day it was 149. What the day was I don't know. We may have some record of it here. The quotations of the Chicago Stock Exchange will show that.

Mr. PECORA. It was on August 2, 1929, when it reached a peak of \$149 a share.

Mr. INSULL. Somewhere along there.

Senator BROOKHART. What was the lowest point to which they went after that?

Mr. INSULL. Well, the records will show. I think they went down to a nominal value of \$1 or \$2 a share.

Mr. PECORA. But through the year 1929 they never dropped below \$100 a share after they reached the peak of \$149 a share, did they?

Mr. INSULL. There was a severe break in all kinds of stocks in 1929. [Laughter.] I do not recall those figures. If anybody has a compilation of the Chicago Stock Exchange here it will show where they went to. But I would not be surprised if they did go below 100 in 1929.

Mr. PECORA. In 1929 did they ever reach a point below the opening price of \$30 a share as of January 17, 1929?

Mr. INSULL. I do not think so.

Senator BROOKHART. When did they reach this low figure you have given?

Mr. INSULL. In March or April of 1932, just prior to the receivership.

Mr. PECORA. Do you know what consideration, if any, was paid by your father for this privilege of buying 250,000 shares at \$12 per

share on the same date that the stock was traded in on the exchange at \$30 a share, the opening day?

Mr. INSULL. Well, in the first place he did not buy them. He caused them to be sold to other people. He did have the right if he had wanted to exercise it. Although that agreement is dated January 17, the whole set-up under which this company was formed was more or less decided by the end of December, before any stock was listed and before anything happened. Obviously, you see, we had to get the stock listed before it could be traded in, and we had to have the whole set-up before we could list it.

Mr. PECORA. Your father did not bind himself, so to speak, to buy these 250,000 shares at \$12 a share until January 17, after all arrangements for listing the stock had been completed, did he?

Mr. INSULL. He did not bind himself to the company. But he had verbally bound himself to the bankers who were going to offer the securities of the company.

Mr. PECORA. He bound himself to the company by this agreement of January 17, 1929, didn't he?

Mr. INSULL. Yes, sir.

Mr. PECORA. And that was after all arrangements had been made for listing the stock on the exchange?

Mr. INSULL. Yes. But we did not know that the company could be formed until that was the understanding.

Mr. PECORA. Is not it a fact that these 250,000 shares at \$12 a share, for which your father agreed to pay a total of \$3,000,000, were given a market value of \$4,500,000 in excess of that figure on the very day that he made the agreement with the company at the rate of \$12 per share?

Mr. INSULL. On the day that the agreement was formally executed, yes. But, of course, we always feel when any of us make a verbal agreement, and he had agreed verbally to do something with people, that we are bound. He bound himself that way some days before.

Mr. PECORA. What people are you referring to now?

Mr. INSULL. Halsey, Stuart & Co.

Mr. PECORA. Did not Halsey, Stuart & Co. themselves, at the outset of this corporation, acquire large blocks of common stock at a price way below \$30 a share?

Mr. INSULL. Yes; but as I recall it, not from the corporation. I mentioned that earlier, and I thought I had a statement of it here. If you will give me a moment, I may be able to find that I have it here.

Mr. PECORA. All right.

Mr. INSULL. It is a rather complicated matter to testify to without a summary. Here is what happened, as I mentioned in reading the minutes, Halsey, Stuart & Co. bought the preferred stock and the bonds from the company at \$100 per share and at par for the bonds.

Mr. PECORA. You mean the prior preferred stock?

Mr. INSULL. Yes, sir.

Mr. PECORA. And that came ahead of the 40,000 shares of preferred stock that your family group bought at \$100 a share?

Mr. INSULL. Yes.

Mr. PECORA. And how many shares of common stock did Halsey, Stuart & Co. agree to buy?

Mr. INSULL. Well, it may show in that list. But if they did not agree to buy any in the \$12 list, that photostatic list——

Senator FLETCHER (interposing). How many bonds did they buy?

Mr. INSULL. \$6,000,000.

Mr. PECORA. Here is the list.

Mr. INSULL. Halsey, Stuart & Co. 43,000 shares.

Mr. PECORA. Well, they were the buyers of the other 43,000 shares on this list?

Mr. INSULL. Yes, sir.

Mr. PECORA. And the assignees or nominees of your father with respect to the 250,000 shares of common at \$12 a share?

Mr. INSULL. Yes, sir.

Mr. PECORA. What was the arrangement between your father and Halsey, Stuart & Co. that prompted your father to assign to them the right to buy 43,000 shares of this common stock at \$12 a share?

Mr. INSULL. In justice to Halsey, Stuart & Co., who can testify, and to my father who is not here, I should like to testify to what I knew about it.

Mr. PECORA. Tell us what you knew about it.

Mr. INSULL. Halsey, Stuart & Co. bought \$6,000,000 of prior preferred and \$6,000,000 par value of series A debentures, the preferred at \$100 a share and the debentures at par, from the company. Of course, they bought them firm; it was not on a consignment basis. They had their expenses, and normally they would have been entitled to an underwriting fee. Now, my father, my mother, and myself—oh, they resold them to the public at the same price at which they bought them from the company.

Mr. PECORA. They resold all the preferred stock or the debentures.

Mr. INSULL. Both the debentures and the preferred, as I understand it.

Mr. PECORA. All right. Go ahead.

Mr. INSULL. I am not quite sure about the preferred, but I am under that impression. In any case I can testify to the fact that they made no fee or profit out of the sale.

Mr. PECORA. We will examine them about that.

Mr. INSULL. This is my understanding about it. And you will see why I had the understanding, because my father and mother and I, in consideration of their doing that, of not charging the company for the sale of the securities as we understood it, made over to them 49,983 shares of common out of the stock that we got.

Mr. PECORA. Are you reading that answer from any prepared statement?

Mr. INSULL. Yes.

Mr. PECORA. Who prepared the statement that you are now reading from?

Mr. INSULL. This statement was prepared by my bookkeeper, who at one time kept my father's and mother's books.

Mr. PECORA. What is his name?

Mr. INSULL. C. W. Daniels.

Mr. PECORA. Is he still your bookkeeper?

Mr. INSULL. Yes, sir. He does that job nights and has another job in the daytime.

Mr. PECORA. Where does Mr. Daniels live?

Mr. INSULL. In Chicago.

Mr. PECORA. What is his address?

Mr. INSULL. I do not know.

Mr. PECORA. What is his business address?

Mr. INSULL. 72 West Adams Street.

Mr. PECORA. All right.

Mr. INSULL. Now, we have got to the point where our family gave Halsey, Stuart & Co., that is, the three of them as to whom I can testify reasonably correctly about, 49,983 common shares, and I understood my uncle contributed to bring that up to 57,000 shares, thereby relieving the Insull Utility Investments (Inc.) of any underwriting expense in connection with the issuance of these securities.

Mr. PECORA. Are you still reading your answer from this prepared statement?

Mr. INSULL. Yes, sir.

Mr. PECORA. Are the facts set forth in that statement matters of your own knowledge?

Mr. INSULL. Not all of them. As I have already mentioned, I am testifying to my own part of it, and as to my mother and father, and what I said about my uncle, it is my belief.

Mr. PECORA. Who asked Mr. Daniels to prepare that statement for your use?

Mr. INSULL. I did.

Mr. PECORA. Did you check up any of the data embodied in that statement that he prepared, before you brought it here to use?

Mr. INSULL. I am willing to swear to all that I can check up on, which is my own part of it.

Mr. PECORA. Have you checked up on the others?

Mr. INSULL. No, sir; not my mother and father. I never kept their books. But I have every reason to believe these figures include their transactions. But I could not testify to it.

Mr. PECORA. May I look at the statement from which you are reading?

Mr. INSULL. Yes, sir. Here it is.

Senator FLETCHER. While Mr. Pecora is looking at that statement let me ask: What became of the main shares of stock that your family group acquired?

Mr. INSULL. That is what this statement is a summary of; of all stock we got and what we did with it. We bought some more, and we sold some, and we finished up with very substantial holdings at the time the company went into receivership. And as I have said our cost of that stock was within \$200,000 of what it originally cost.

Senator FLETCHER. Did you sell some of your stock at 149?

Mr. INSULL. No, sir. And I have only met one man who did. I wasn't one of them. We sold our stock but not at that price at all. Well, wait a minute. My father had one trading account in our stock.

Mr. PECORA. With whom?

Mr. INSULL. With George Pick & Co., who traded in 9,500 shares as a total of Insull Utility Investments common.

Mr. PECORA. With regard to the opening trades on January 17, 1929, on the Chicago Stock Exchange do you know who fixed the market price of \$30 a share for those shares?

Mr. INSULL. I have not the slightest idea.

Mr. PECORA. Did you ever participate in any conferences or discussions of that question with anybody?

Mr. INSULL. No, sir. I appeared before the listing committee of the stock exchange.

Mr. PECORA. But the application for the listing of the stock on the stock exchange set forth the terms under which 764,000 shares of common were issued to your family group, did it?

Mr. INSULL. It must have. Mr. McEnroe may have a copy of that application here.

Mr. PECORA. Are you familiar with the contents of that application?

Mr. INSULL. Yes; generally. But I remember more clearly the verbal testimony before that committee, because that impressed itself more on my mind.

Mr. PECORA. You have stated that you appeared before the stock exchange listing committee in connection with the application for listing.

Mr. INSULL. Yes, sir.

Mr. PECORA. Well, do you recall any discussion there at which it was made known that this common stock was a block, 764,000 shares of it, which had been allotted to your family group at the price of \$7.54 a share?

Mr. INSULL. Yes, sir; I do remember that.

Mr. PECORA. It was done?

Mr. INSULL. Yes, sir. They went into that. You now recall to my mind that they figured it out about as you have, and that they asked me questions about it. These applications do not show that, but I recall very clearly that a figure of \$7 and some cents a share was discussed in the committee.

Senator FLETCHER. You have made a statement about the listing of common stock. Was this prior preferred and the preferred stock also listed on the exchange?

Mr. INSULL. I know the common was, and the prior preferred; yes; the debentures, the prior preferred and the common stock were all listed.

Senator FLETCHER. How were those listed, the prior preferred and the preferred and the debentures?

Mr. INSULL. The preferred stock which came to our family entirely, was not listed. The common, the prior preferred and the debentures were listed by the stock exchange, and as I now recall it—well, I know I only appeared at one hearing, and they discussed all three classes of securities.

Senator FLETCHER. When was the listing of the prior preferred and the debentures?

Mr. INSULL. January 17.

Senator FLETCHER. At what price?

Mr. INSULL. Do you mean the first trading?

Senator FLETCHER. Yes.

Mr. INSULL. I do not recall, because both the debentures and the prior preferred had attached to them nondetachable warrants.

Senator FLETCHER. And you say Halsey, Stuart & Co. paid \$100 a share for the prior preferred and bought the debentures at par?

Mr. INSULL. Yes, sir.

Senator FLETCHER. I was wondering what the trading was in them.

Mr. INSULL. I do not know. They resold them to the public at par as I am informed.

Senator BROOKHART. Did you offer some of this stock for sale immediately on the stock exchange?

Mr. INSULL. I did not, sir. I do not know whether my father did or not. It does not show here.

Mr. PECORA. Well, whose shares of common stock could have been the subject of transactions on the stock exchange, and the subject of deliveries, except the shares which had been delivered to your family group and those which had been delivered to Halsey, Stuart & Co.?

Mr. INSULL. When the prior preferred stock—well, I am not very familiar with stock exchange procedure, sir, so I do not know that I am a very good witness on that. But I do know that the prior preferred and the debentures carried warrants to buy common stock at \$15 a share. And, presumably, the buyers of this preferred stock and the debentures could exercise their warrants and make delivery.

Senator BROOKHART. I was wanting to know who started that market and how it was done.

Mr. INSULL. I do not know.

Senator BROOKHART. Who offered the stock, and what was asked for it, and what were the bids at first.

Mr. INSULL. I could not testify to that. I do not even know who was the specialist at the time, or who dealt in them.

Mr. PECORA. You were a member of the board of directors of this company from the outset, were you not?

Mr. INSULL. Yes, sir; and I think also of the finance committee.

Mr. PECORA. Did you take part in any discussions among the board members and officers of the company that led to the making of this agreement of January 17, 1929, under which your father acquired the right to buy these 250,000 shares at \$12 a share?

Mr. INSULL. Yes, sir. I was present at the meeting where it was voted on.

Senator BROOKHART. When these stocks went so high were any pools or groups organized to handle them?

Mr. INSULL. Not to my knowledge. I checked that very carefully to see about the 695,000 shares my father bought. I find he bought 4,500 shares in one month, and——

Senator BROOKHART (interposing). At what price?

Mr. INSULL. They are in the figures I gave to your counsel.

Senator FLETCHER. Do you want that put in the record?

Mr. PECORA. Yes.

Mr. INSULL. It doesn't state at what price. I could find out at what price. He bought it in June or July, and in that month—well, he bought first 4,500 shares, about 100,000 shares the next month, and he bought 52 shares, and I think, only, say, 800 were sold. I don't think that boomed the stock.

Senator BROOKHART. The stock was going up when he bought this?

Mr. INSULL. Yes, sir.

Senator BROOKHART. And he sold out while it was up?

Mr. INSULL. Fairly well up.

Senator FLETCHER (presiding). The statement furnished the counsel for the committee will be made a part of the record at this point.

(The statements furnished are as follows:)

Insull Utility Investments (Inc.) first series preferred, consolidated statement of purchases and sales

First series preferred shares acquired in exchange for various securities at organization of company.....	35,076
Less shares given as gifts.....	250

Number of shares on hand..... 34,826

Insull Utility Investments (Inc.) second series preferred, consolidated statement of purchases and sales

Shares purchased.....	4,650
Less shares sold.....	4,500

Number of shares on hand..... 150

Insull Utility Investments (Inc.) common, consolidated statement of purchases and sales

Common shares acquired in exchange for various securities at organization of company.....	669,878
Less shares given Halsey, Stuart & Co. for underwriting 5 per cent debentures and \$5.50 prior preferred issues of Insull Utility Investments (Inc.).....	49,983

NOTE.—The Insull family gave 57,000 shares of this stock to Halsey, Stuart & Co., thereby relieving Insull Utility Investments (Inc.) of any underwriting expense in connection with the issuance of these securities.

Shares remaining after above transaction.....	619,895
Directors qualifying shares received from company.....	187
Shares purchased by exercising option given to owners of first series preferred.....	175,380
Received in exchange of 4,000 shares second Utilities Syndicate stock.....	10,960
Received in exchange of 190 A and B units of Peoples Gas Light & Coke Co. investment fund No. 5.....	810
Purchased by exercising right to purchase additional shares.....	103
Shares purchased.....	9,720

Total shares acquired as shown above.....	817,055
Dividends received, including scrip purchased.....	108,824

Total shares acquired..... 925,879

Less shares exchanged for 66,762.7815 shares of Western Securities Co. stock, which later was exchanged for 35,076 shares preferred, 35,076 shares common, and 876,900 shares voting trust common of Corporation Securities Co. of Chicago.....	133,526
Shares exchanged for 31,458 ⁹⁵ / ₂₀₀ shares of Corporation Securities Co. of Chicago common. Trade was with Middle West Utilities Co.....	14,200

147,726

Number of shares remaining after above exchanges.....	778,153
---	---------

Less:

Shares sold for cash.....	79,602
Shares given in settlement of indebtedness.....	87,139
Shares given as gifts.....	20,585

187,326

Number of shares remaining.....	590,827
Less shares sold on forced liquidation.....	72,892

Number of shares on hand..... 517,935

Corporation Securities Co. of Chicago units consolidated statement of purchases and sales

Units purchased	20, 115
Less:	
Units sold	2, 500
Units given in settlement of indebtedness	5, 172
	<u>7, 672</u>
Units remaining	12, 443
Less 12,443 units exchanged for 12,443 shares common and 12,443 shares preferred	12, 443

Corporation Securities Co. of Chicago \$3 optional preferred consolidated statement of purchases and sales

\$3 optional preferred shares acquired in exchange of 48,452.314 shares Western Securities Co. capital stock	39, 843
Received in split-up of 12,443 units	12, 443
Shares purchased	100
	<u>52, 386</u>
Less shares given as gifts	310
	<u>52, 076</u>
Less shares sold on forced liquidation	4, 694
	<u>47, 382</u>
Number of shares on hand	

Corporation Securities Co. of Chicago common consolidated statement of purchases and sales

Common shares acquired in exchange of 66,762.7815 shares of Western Securities Co. capital stock	39, 843
Directors qualifying share received from company	1
Received from Middle West Utilities Co. in exchange for 14,200 shares Insull Utility Investments (Inc.) common	31, 458 ⁹⁵ / ₂₀₀
Received from Corporation Securities Co. of Chicago in exchange for common and preferred rights of Insull Utilities Investment (Inc.)	31, 140
Received in split up of 12,443 units	12, 443
Shares purchased	100
	<u>114, 985⁹⁵/₂₀₀</u>
Dividends received including scrip purchased	8, 299 ¹⁷ / ₂₀₀
	<u>123, 284¹¹²/₂₀₀</u>
Less:	
Shares sold for cash	27, 003
Shares given as gifts	3, 710
	<u>30, 713</u>
Number of shares remaining	92, 571 ¹¹² / ₂₀₀
Less shares sold on forced liquidation	5, 308
	<u>87, 263¹¹²/₂₀₀</u>
Number of shares on hand	

Corporation Securities Co. of Chicago voting trust common consolidated statement of purchases and sales

Voting trust common shares acquired in exchange of 66,762.7815 shares Western Securities Co. capital stock	876, 900
Dividends received	96, 077 ⁵³ / ₂₀₀
	<u>972, 977⁵³/₂₀₀</u>
Less:	
Shares sold	3 ⁹⁵ / ₂₀₀
Shares given as gifts	5, 500
	<u>5, 503⁹⁵/₂₀₀</u>
Number of shares on hand	967, 473 ¹⁵⁸ / ₂₀₀

Agreement made this 17th day of January, 1929, by and between Samuel Insull, Margaret A. Insull, Samuel Insull, jr., and Martin J. Insull (hereinafter called the stockholders), parties of the first part, and Insull Utility Investments (Inc.), a corporation organized and existing under and by virtue of the laws of the State of Illinois (hereinafter called the company), party of the second part, witnesseth as follows:

Whereas the company has been organized and is about to issue at \$100 per share 40,000 shares of its preferred stock, first series, without par value, as part consideration for certain securities to be conveyed by the stockholders to the company, said 40,000 shares of stock to be issued as follows: 25,456 shares to Samuel Insull, 3,692 shares to Margaret A. Insull, 5,928 shares to Samuel Insull, jr., 4,924 shares to Martin J. Insull; and

Whereas each of the stockholders as a holder of such preferred stock is desirous of having the option of purchasing within a period of two years five shares of the common stock of the company at \$15 per share for each share of such preferred stock, first series, so issued to him or her, and the company is willing to give such option upon the terms, conditions, and agreements hereinafter stated:

Now, therefore, in consideration of the premises, of the agreements hereinafter contained and of the fact that in contemplation of the execution of this agreement the annual dividend payable on said preferred stock first series has been fixed at \$2 per share for the first year, \$3 per share for the next year, \$4 per share for the next year, \$5 per share for the next year, and \$6 per share thereafter, the parties hereto do agree with each other as follows:

1. The company hereby gives—

(a) To the stockholder, Samuel Insull, the option to purchase at any time within two years after the date of this agreement, at \$15 a share, 127,280 shares of the common stock without par value of the company.

(b) To the stockholder, Margaret A. Insull, the option to purchase at any time within two years after the date of this agreement, at \$15 a share, 18,460 shares of the common stock without par value of the company.

(c) To the stockholder, Samuel Insull, jr., the option to purchase at any time within two years after the date of this agreement, at \$15 a share, 29,640 shares of the common stock without par value of the company.

(d) To the stockholder, Martin J. Insull, the option to purchase at any time within two years after the date of this agreement, at \$15 a share, 24,620 shares of the common stock without par value of the company.

The option hereby given to any stockholder may be assigned by such stockholder in whole or in part to anyone and may be exercised by such assignee without reference to the ownership of preferred stock.

2. The stockholders, Samuel Insull, Samuel Insull, jr., and Martin J. Insull, agree to serve the company for a period of two years from the date of this contract in any official capacity desired by the company without compensation.

3. The stockholder, Samuel Insull, hereby agrees to purchase or cause to be purchased within one year from the date hereof 250,000 additional shares of the common stock without par value of the company, at \$12 per share, and the company agrees to issue said shares to said Samuel Insull, or his nominees, from time to time during the year as the purchase price therefor is paid.

In witness whereof the parties of the first part have hereunto set their hands and seals, and the party of the second part has caused this instrument to be executed as of the date first above mentioned.

SAMUEL INSULL. [SEAL.]

MARTIN J. INSULL. [SEAL.]

SAMUEL INSULL, Jr. [SEAL.]

MARGARET A. INSULL. [SEAL.]

INSULL UTILITY INVESTMENTS (Inc.),

By SAMUEL INSULL, *President*.

Attest:

P. J. McENROE, *Secretary*.

Mr. PECORA. Mr. Insull, do you know whether the agreement of January 17, 1929, was executed after the market closed on that day?

Mr. INSULL. No, sir; I don't know. I do think I am one of the people who executed it but I don't just recall.

Mr. PECORA. You are a party individually to that agreement, aren't you?

Mr. INSULL. Yes.

Mr. PECORA. Well, what were the conferences or discussions that led to the making of this agreement on January 17, 1929?

Mr. INSULL. I do not think, to be quite frank, there were many discussions in January, on January 17—

Mr. PECORA (interposing). Well, I did not specify that the discussions must have been had on that date, but what discussions had been had which led to the making of this agreement of January 17, 1929.

Mr. INSULL. Well, the only discussions that I recall were not discussions where this agreement was mentioned alone, but where it was mentioned along with a good many other things.

Mr. PECORA. What mention was made of that particular provision of this agreement relating to the purchase or the right to purchase these 250,000 shares at \$12 a share?

Mr. INSULL. Well, I only recall one mention, and I don't want it to appear as material, but that was that somebody said my father was a darn fool not to exercise it himself and to pass it on.

Mr. PECORA. What discussion was had that prompted the company, through its officers and directors, to make that agreement with your father on that date?

Mr. INSULL. Well, you see, the discussions took place a considerable time before the listing. Now, none of us in the company knew that this stock was going to sell for anything like \$30 a share.

Mr. PECORA. Were you all in complete ignorance of the price at which this stock was going to be traded in on the opening day's transaction?

Mr. INSULL. We made guesses, but we did not know what it was going to be.

Mr. PECORA. Were you surprised at the figure of \$30 a share?

Mr. INSULL. We were.

Mr. PECORA. Did you have any conversations with anybody about it when you learned the figure that had been reached on the opening day?

Mr. INSULL. Well, it is some time ago and a good deal has happened. I do not recall, no. I might have said something like that I thought it went to a high price all of a sudden.

Mr. PECORA. You felt a price of \$30 a share was an excessive price, didn't you?

Mr. INSULL. Yes, sir; we thought it was high.

Mr. PECORA. By how much?

Mr. INSULL. I don't know.

Mr. PECORA. Well, what was your own personal opinion about it?

Mr. INSULL. Well, my guess was, which was purely a guess, that some time within the next—mind you, in January of 1929 we did not foresee the summer rise any more than we saw the other things that were going to happen—my guess was that within five or six months it might go to around \$20 a share.

Mr. PECORA. Within five or six months, or to be more exact, within seven months, that is, from January to August, it went to \$149 a share.

Mr. INSULL. Yes, sir.

Mr. PECORA. Then you expected it would only reach about \$20 or \$25 a share?

Mr. INSULL. Twenty was what I thought.

Senator BROOKHART. It was not worth \$149 a share at any time, was it?

Mr. INSULL. I don't know, Senator, what it was worth.

Senator BROOKHART. You know something about what it would earn?

Mr. INSULL. Yes, sir. And if you want my impression I thought it went too high.

Senator FLETCHER. What dividend did it pay?

Mr. INSULL. At the time it went to 149 it wasn't paying any dividends. No statement had been made about dividends. Subsequently it paid 6 per cent in stock.

Senator BROOKHART. In stock?

Mr. INSULL. Yes, sir.

Senator FLETCHER. Before August had it paid any dividends?

Mr. INSULL. No sir.

Senator BROOKHART. You did nothing to warn the public about that in any way?

Mr. INSULL. I do not know whether we made any public statements or not. My father had had an unfortunate experience in 1926, when he put out a statement that he thought some securities were too high. That was in connection with a company I was not directly connected with, and so I can not testify except by way of hearsay, what he told me about it. He said he thought it was too high, and immediately gossip started that he was short, and of course it went up.

Mr. PECORA. That was in 1928?

Mr. INSULL. In 1926 or 1928. I know by 1929 we had come to the conclusion that if you put out a statement it might be taken any way at all.

Senator BROOKHART. And was he short?

Mr. INSULL. No, sir. He has never been short. He is long of this stock to-day.

Mr. PECORA. Now let us get back to January 17, 1929. At 10 o'clock that day the market opened on this stock, didn't it?

Mr. INSULL. Yes, or 9 o'clock in Chicago.

Mr. PECORA. At 9 o'clock.

Mr. INSULL. Yes, sir.

Mr. PECORA. And some time that day the company made this written agreement to which your father, mother, and others were parties.

Mr. INSULL. Yes, sir.

Mr. PECORA. Providing for the issuance to him of 250,000 shares common at \$12.

Mr. INSULL. Yes, sir.

Mr. PECORA. Was that agreement entered into before the opening of the market at 9 o'clock that morning, or was it entered into later in the day and while the market was in progress?

Mr. INSULL. I don't know at what time of day it was.

Mr. PECORA. Well, now, let us see about that. In whose office was the agreement signed.

Mr. INSULL. That I do not know. It may have been signed in my father's office, and it may have been signed in the company's office, it may have been signed in the attorney's office, and it may have been signed by being sent from one to the other for signature.

Mr. PECORA. You were present at the time, were you not?

Mr. INSULL. Well, I certainly signed it.

Mr. PECORA. You signed it in your individual capacity.

Mr. INSULL. Yes, but I don't know whether I signed it in the presence of the others or not.

Mr. PECORA. Do you recall any other person signing it?

Mr. INSULL. In my presence?

Mr. PECORA. Yes.

Mr. INSULL. I do not, but they might well have. I am not trying to dodge this but I do not recall what occurred from hour to hour two years ago when a lot has happened in the meantime.

Mr. PECORA. Let us see what was your daily custom back of January of 1929. At what time did you usually get to your place of business?

Mr. INSULL. About 20 minutes past 8.

Mr. PECORA. And your father?

Mr. INSULL. Well, I could not testify to that because I was not down that early. He got down about 7.30.

Mr. PECORA. And your uncle?

Mr. INSULL. I don't know. He lived out in the country. I think he got in about a quarter to 9.

Mr. PECORA. And your mother was a party to this agreement of January 17. Do you know where she signed it?

Mr. INSULL. No, sir.

Mr. PECORA. Do you recall seeing her at the office on January 17?

Mr. INSULL. No, sir. It might have been taken home the night before and she might have signed it there.

Mr. PECORA. Now, the second day's trading in this stock on the Exchange reached a price of \$40 per share. Do you recall that?

Mr. INSULL. No, sir. But the record would show whether it did or not.

Mr. PECORA. Do you recall that on the second day's trading it reached a price substantially in excess of the opening of \$30 a share the day before?

Mr. INSULL. No. I really do not recall anything except the opening and this price of around 40 in February or March when I was away. And a price of about 42 that I saw when I was out of the country in July, or maybe June. And then a price of 147 or 149. I have not a recollection of the day by day market.

Mr. PECORA. Well, you did learn of the opening day price reached?

Mr. INSULL. Yes, sir.

Mr. PECORA. And you were surprised?

Mr. INSULL. Oh, I undoubtedly looked at the close every day as I read my paper in the evening. But I could not testify now as to what it was.

Mr. PECORA. So your surprise substantially increased by the prices at which the stock was sold on the second day of trading.

Mr. INSULL. I should think so, yes.

Mr. PECORA. Have you discussed that with neighbors or your family?

Mr. INSULL. I don't remember. There was no official conference or anything of that kind that impressed itself on my mind. What I might have said in walking down the hall with my father, or something of that kind, I don't recall.

Mr. PECORA. Who proposed the original inclusion of this provision for the 250,000 shares at \$12 a share for your father's benefit, in this agreement?

Mr. INSULL. I don't know. It was in the draft of the circulars of the company that we were discussing in January and March—no, I mean in December and January. And if you will recall, at that time a lot of investment trusts were being formed, in some of which the sponsors had the option to buy without putting up any money. The only discussion I recall was my father saying that he or his assigns were to have the obligation to buy this stock. No specific consideration like the right attached to the preferred was given; he thought he ought to have the right to buy it firm, whether it went up or down, so whatever criticism there might be he could not be criticized for having a speculation at the company's expense, so to speak. That is all that I recall.

Mr. PECORA. You do not believe that this agreement was entered into before the opening of the market at 9 a. m., do you?

Mr. INSULL. I do not know when it was formally signed. I know that the whole scheme, of which this agreement was one incident, was completely discussed and verbally agreed to by people who always regarded themselves bound whenever they gave their verbal agreement, several days before the stock was listed or traded in.

Mr. PECORA. Who exercised the judgment in behalf of Insull Utility Investment (Inc.) when this agreement was made by that company with your family group?

Mr. INSULL. I would want to look to see whether it was the directors or the finance committee or the executive committee.

Mr. PECORA. Look at anything you may have that will refresh your recollection.

Mr. INSULL. I am sorry to be a little slow, but you understand this first meeting was a long meeting.

Mr. PECORA. Who were present at the meeting, and perhaps that will tell you who exercised the judgment?

Mr. INSULL. I want to see about this particular meeting. [Looking over minutes of meeting.] Those that we have here are present: Samuel Insull, Martin J. Insull, Samuel Insull, jr., P. J. McEnroe, John F. Gilchrist, Louis A. Ferguson, Edward J. Doyle, John H. Gulick, Walter S. Brewster, Britton I. Budd, George F. Mitchell, Marshall E. Sampsell, Stuyvesant Peabody, H. L. Stuart, and Waldo F. Tobey.

Mr. PECORA. And those men were either personal employees of your father or officers or employees of companies in the so-called Insull group of public utilities controlled by your father, were they not?

Mr. INSULL. No.

Mr. PECORA. How many of them were not?

Mr. INSULL. Walter S. Brewster is a partner in a stock brokerage firm. H. L. Stuart, a partner of Halsey, Stuart & Co. Waldo F. Tobey is an attorney. He was my father's attorney, but not an employee in that sense.

Mr. PECORA. All other directors whose names you read were either personal employees of your father or officers or employees of companies controlled by your father?

Mr. INSULL. There is only one to be called a personal employee of my father. That is Mr. McEnroe—outside of myself, and about me take what position you would like. These gentlemen were all officers of companies with which he was connected.

Mr. PECORA. Which he controlled?

Mr. INSULL. No, sir; he did not control them.

Mr. PECORA. Didn't your father frequently make reference to his control of these companies in public statements made by him?

Mr. INSULL. No. He never made reference to any control. That goes back to the basis for which this institution was formed. This agreement is approved on page 27 of the minutes, January 4. It was then presented to the meeting, the agreement as drawn, to be executed by the company. So it was approved by the company January 4.

Mr. PECORA. Approved by a board consisting of the persons whose names and characterizations you have already answered about?

Mr. INSULL. Yes, sir. And that answers one of your previous questions, too, that it was on January 4, long before the stock was listed.

Mr. PECORA. All right.

Mr. INSULL. It says that there was then presented to the meeting an agreement drawn and to be executed by the company to the four persons who are to become the original preferred stockholders of the company, which agreement provides that in consideration of its terms and conditions, and in further consideration of the agreement of the four preferred stockholders to take dividends, and so forth. And it goes on to outline the provisions. That was on January 4.

Mr. PECORA. You just referred to something about a discussion. Do you recall what the discussion there was?

Mr. INSULL. No, sir.

Mr. PECORA. Have you any recollection at all about it?

Mr. INSULL. No, sir. It was a long meeting. It was over three years ago.

Mr. PECORA. At the time of that meeting which of the persons named as directors there had any real financial interest or investment in the company?

Mr. INSULL. Well, of course I can not testify to all their personal affairs.

Mr. PECORA. You know the original financing of the company, don't you?

Mr. INSULL. Yes, sir.

Mr. PECORA. And the original financing involved a payment to the company for stock by only the Insull family group and Halsey, Stuart & Co., isn't that it?

Mr. INSULL. Well, each director had a qualifying share.

Mr. PECORA. You don't call that an investment in the company, do you? You would not say that that calls for such ownership?

Mr. INSULL. It is not a material investment; no.

Mr. PECORA. You would not call it a real investment in the company, would you?

Mr. INSULL. Well, it all depends.

Mr. PECORA. If a director in order to qualify has 1 or 10 shares of stock in a company you don't consider that an investment in the company in the ordinary sense of the term, do you?

Mr. INSULL. No. But I just mean it depends on how much money a director has.

Mr. PECORA. In this particular company's case do you know whether or not any of the directors named in that meeting as having taken part in the meeting, had any real financial investment in the company at the time that they voted for this agreement?

Mr. INSULL. Well, I don't know whether Halsey, Stuart & Co. received their stock that they got from our family as a part of the consideration for the underwriting, before or after the date of this meeting. That would be the only material block. Mr. Stuart might have had an interest or might not. I could not testify as to that.

Mr. PECORA. So far, then, has any of the persons sitting on that board of directors at that meeting, to which you have referred, had any real financial investment in this company, didn't it resolve itself into the question that your father, your uncle, and yourself were making an agreement as officers and directors of the company with yourselves as individuals—

Mr. INSULL (interposing). No, sir.

Mr. PECORA (continuing). To buy this stock under option for \$15 a share, and under this originally for \$12 a share?

Mr. INSULL. No, sir. But because I can not say whether those gentlemen had a big financial interest in it or not, if the transaction was improper—

Mr. PECORA (interposing). I have not said anything about its being improper. I am asking for the facts.

Mr. INSULL. All right. Put it this way: That the obligation upon them to pass upon the propriety of the transaction—and I am not an attorney, so maybe I should not take up legal matters—but I should say that the obligation upon a director to pass upon the appropriateness of a transaction is not increased by his having a financial interest in the company, nor lessened by his not having a financial interest in the company.

Mr. PECORA. As a moral principle that would be so, but as a practical proposition wouldn't you expect that a director who had a real financial interest or investment of his own in the company would be a little bit more keen in the discharge of his duties as a director?

Mr. INSULL. No; I do not think so in these days when directors are being called to consider the—

Mr. PECORA (interposing). But I am talking about those days, the early part of 1929, and not these days.

Mr. INSULL. I do not see that it alters it. In other words, I do not think that those gentlemen were subject to the charge of having a price upon the independence of their judgment. And I think the supposition that whether or not they would discharge honestly their duty depended upon whether or not they had a financial interest is another way of saying that they could be got for a price.

Mr. PECORA. But you do not recall anything said in the discussion that the minutes show ensued with regard to this proposition by any of the directors present on the matter of the benefits that would accrue to the company from this arrangement or agreement, do you?

Mr. INSULL. No; but that does not mean it was not said. As I have said—and I would like to be clearly understood—this is a long meeting itself. It is one of several. It is three years ago. A lot has

happened in the meantime, and I doubt if any man would recall, unless he personally took part in this and took rather a decided stand.

Mr. PECORA. Did you personally take part in the discussion?

Mr. INSULL. Apparently I did not, because I don't recall what was said.

Senator BLAINE. Mr. Chairman, if I may interrupt, I am compelled to go over to the Chamber. I just want to know whether I was clear with respect to this common-stock list, of which I have a photostat copy, 250,000 shares. Is that right?

Mr. PECORA. Two hundred and fifty thousand.

Senator BLAINE. Two hundred and fifty thousand at \$12 a share.

Mr. INSULL. Yes.

Senator BLAINE. Now I just want to find out the significance of this, Mr. Insull. For instance, Barrett, P. R., evidently the name of a subscriber to the stock.

Mr. INSULL. Yes.

Senator BLAINE. Care Cooke, Sullivan & Ricks, 210 South Michigan Avenue, Chicago. It meant that——

Mr. INSULL. He was a partner in that firm, Senator.

Senator BLAINE. Let us take another one, then.

Mr. INSULL. I can answer most of——

Senator BLAINE. Dines, for instance.

Mr. INSULL. Dines was a partner in the firm.

Senator BLAINE. Also partner in Cooke, Sullivan & Ricks?

Mr. INSULL. Cooke, Sullivan & Ricks firm.

Senator BLAINE. And for instance Feeder?

Mr. INSULL. Whether he is a partner or an employee. You know, in a law firm there is a line and there is some of them above and some below, and he is one of the fellows below.

Senator BLAINE. All of those whose names are mentioned whose stock was in care of Cooke, Sullivan & Ricks were associated in some form with the law firm of Cooke, Sullivan & Ricks?

Mr. INSULL. All of those that you have mentioned. I can look over it and see if there are some others.

Senator BLAINE. Well, it may be. I have that straightened out. Now, Mr. Insull, had Mr. Cooke been an employee of any of the Insull companies, either investment companies, finance companies, or subsidiary utility companies?

Mr. INSULL. Oh, yes, sir. He had been—well, that firm had been counsel for the Peoples Gas, Light & Coke Co. since away back before my father had any connection with it.

Senator BLAINE. How long before?

Mr. INSULL. Before my father?

Senator BLAINE. No, how long before 1929, and before this common stock transaction.

Mr. INSULL. Well, put it this way: I remember back in 1916 when the firm then had a different name, but it later became Cooke, Sullivan & Ricks; was counsel for the gas company. Judge Cooke was not then a member of the firm. He was a member—this I can testify to—by 1923, when I first went to work.

Senator BLAINE. Judge Cooke joined this firm along about 1919 or 1920, isn't that correct?

Mr. INSULL. It probably is. You would know better than I would.

Senator BLAINE. All right. Now then, he became attorney for the Peoples Gas Co.?

Mr. INSULL. Yes, sir.

Senator BLAINE. What is there significant about the fact that such large blocks of stock were sold to the Cooke firm or to Mr. Cooke personally or to the members of the firm for \$12 per share? Is there anything significant about that?

Mr. INSULL. The only significance is, quite frankly, that this underwriting, whereas it was thought to be—or rather this right to purchase stock—whereas it was thought to be a proper thing, was thought to have a possibility of profit, as I indicated, it profited more than any of us thought.

Senator BLAINE. Who is Mr. Sullivan in this firm?

Mr. INSULL. He is a partner.

Senator BLAINE. The son of whom?

Mr. INSULL. Rodger C. Sullivan.

Senator BLAINE. And Rodger C. Sullivan was a very prominent Democratic leader in Illinois?

Mr. INSULL. Yes, sir.

Senator BLAINE. And what was Mr. Cook's political relationships through Illinois?

Mr. INSULL. That goes back before my time. As a kid, I think he was a supreme court judge.

Senator BLAINE. Of course, as you know, I live very close to the city of Chicago.

Mr. INSULL. You know more about it than I do.

Senator BLAINE. The Peoples Gas Co. was a company in which Mr. Insull, your father, owned a large share?

Mr. INSULL. Yes.

Senator BLAINE. It was considered an Insull company?

Mr. INSULL. Yes, that is right.

Senator BLAINE. Do you recall the suit that was brought against Peoples Gas Co., oh, 12, 15, 16 years ago?

Mr. INSULL. I recall it this way, that that was while I was still in school and I heard my father mention it.

Senator BLAINE. Do you recall that Donald Richberg was attorney in that suit?

Mr. INSULL. I recall that he was attorney in some suits against the gas company.

Senator BLAINE. And Professor Beamis of the University of Chicago had assisted as an expert economist in that matter?

Mr. INSULL. I did not happen to hear his name mentioned.

Senator BLAINE. Do you recall that that suit was for the purpose of having repayments or refunds made to the gas users of the city of Chicago?

Mr. INSULL. I recall the final disposition of that suit since I have been in business.

Senator BLAINE. Do you recall that the amount involved finally that the trial court held to have been unlawfully collected from the users of gas was about \$10,000,000?

Mr. INSULL. No, sir; I do not. I was not connected with the gas company.

Senator BLAINE. Do you recall at that time that this Mr. Cooke, who later became a member of this firm and attorney for the Peoples

Gas Co.,^r was a member of the Supreme Court of the State of Illinois?

Mr. INSULL. No, sir; I do not recall.

Senator BLAINE. You do not recall?

Mr. INSULL. My impression is that the suit was settled after he got off the court.

Senator BLAINE. I am not so sure about that.

Mr. INSULL. I am not, because——

Senator BLAINE. As I recall, Judge Cooke was a member of the supreme court. Now I may be mistaken in this.

Mr. INSULL. Well, I may be, because all I can do is date what happened before I went to work and after.

Senator BLAINE. And he joined in the opinion that reversed this decision, thereby losing to the people of the city of Chicago some \$10,000,000 overcharges for gas?

Mr. INSULL. I don't recall the amount.

Senator BLAINE. I am not certain about the exact amount. I am using round numbers.

Mr. INSULL. I don't know whether Judge Cooke——

Senator BLAINE. And do you recall that Judge Cooke resigned from the Supreme Court bench of the State of Illinois in 1919?

Mr. INSULL. Well, that was before my time. I was still in school.

Senator BLAINE. And that thereupon he became attorney for the Peoples Gas Co., or very shortly after that?

Mr. INSULL. I know he was attorney in 1923 when I went to work. Now as to the amounts of stock, Senator, I think you will find that the amounts——

Senator BLAINE. I was merely endeavoring to trace the political ramifications of the Insull company respecting the Peoples Gas Co. and the litigation concerning the over-charges for service for gas at the time that Mr. Cooke was a member of the Supreme Court of the State of Illinois. I have not gone into this recently. I have been asking these questions rather from vague recollection of rather ancient history, but I am inclined to think I am substantially correct.

Mr. INSULL. In other words, the only light I can shed on it is that the amounts awarded to Judge Cooke and his partners were about the same, the amounts for which they subscribed were about the same, as the amounts subscribed for by other partners in other law firms relatively in the same situation. For instance, Isham, Lincoln & Beale.

Senator BLAINE. As to their being retained by the Insull interests?

Mr. INSULL. Yes. For instance, here are several——

Senator BLAINE. Of course, that perhaps would not be quite as important or material to the law firm or the members of the law firm as the original employment following resignation from supreme court bench following a decision favorable to the utility company.

Mr. INSULL. As I said, that is all before my time, 1923. That is when I date from.

Senator FLETCHER. What was the drop in this stock in October, 1929, do you remember, at the time of the collapse on Wall Street?

Mr. INSULL. During 1929, Senator, the low point it went to was about 42 for the common.

Senator FLETCHER. And the bonds and preferred, do you know?

Mr. INSULL. I don't know how the bonds and preferred were. If there is some stock exchange record I could look it up.

Mr. PECORA. You spoke before of Halsey, Stuart & Co. subscribing for the \$6,000,000 of debenture bonds that were put out by this company. Did Halsey, Stuart & Co. afterward return those debenture bonds or any portion of them to the company?

Mr. INSULL. Yes. We bought back some bonds and canceled them at a lower price.

Mr. PECORA. How much of a discount?

Mr. INSULL. I would like to see if Mr. McEnroe has the figures on that.

Mr. McENROE. I haven't any figures unless it is in this annual report.

Mr. INSULL. I don't know that even they were bought direct from them. I know that they were bought back.

Mr. PECORA. Do you know anything about that?

Mr. INSULL. I don't know whether—I don't offhand recall anything. There may well be something in the record about it.

Mr. PECORA. These debentures carried with them rights or warrants to buy shares of common stock at \$15 per share, did they not?

Mr. INSULL. Yes, sir.

Mr. PECORA. When those debenture bonds were turned back to the Insull Utility Investments Co. is it not a fact that those rights or warrants had been detached?

Mr. INSULL. Yes. I would like to say that both the debentures and the prior preferred stock had such warrants attached to them.

Mr. PECORA. Yes; I know.

Mr. INSULL. And the company was buying in the market, and generally they could not have bought any from me, because I did not have any. I do not think any other members of the family had any. They were buying that stock back as it became ex-warrants and canceling it at less than its issuance price. I recall that, that situation generally. Where the bonds or the stock came from I do not offhand recall.

Mr. PECORA. Now, Mr. Insull, under this agreement of January 17, 1929, you acquired specifically an option to buy at any time within two years 29,640 shares of the common stock at \$15 a share, did you not?

Mr. INSULL. Yes, sir.

Mr. PECORA. Did you exercise that option?

Mr. INSULL. About December 31, 1929.

Mr. PECORA. That was about two and a half weeks before the opening trades on the stock exchange at \$30 a share were made, is that correct?

Mr. INSULL. No, sir; December 31, 1929.

Mr. PECORA. Oh, 1929; I beg your pardon. And what were the public quotations on the common stock at that time, December 1929, do you recall?

Mr. INSULL. It was about 65, I recall, because I bought the stock at 15 and sold a portion of it to Corporation Securities Co. at 40, which I remember as being about 25 points below the then market.

Mr. PECORA. You did not exercise this option until December, 1929, when the public quotation for the stock was about \$65 a share. Now, do you recall what discussion was had at the meeting of the board of

directors at which this agreement was approved with respect to giving to you this option to buy 29,640 shares at \$15 a share?

Mr. INSULL. Yes, in a general way, I do; yes, at the meeting or meetings.

Mr. PECORA. Yes.

Mr. INSULL. I recall that the amount of preferred stock I received was such that dividends on it at \$6 per share per year would about equal the income I gave up by putting in the securities that I put in Insull Utilities, or a little less than that. Then we turned around and instead of taking \$6 a share we took \$2 the first year, as it shows here, and a graduated rate. And I recall the discussion about the right to buy the common stock at 15, upon which, at the time it was discussed, January 4, we might have made a profit, and as it turned out we did make a profit; that that was conceded to be a fair compensation for giving up the hard cash in the reduction of the dividend rates. There was some minor reference to our serving the company at no salary, but in my case, being a young man, I was not giving up so very much.

Mr. PECORA. How much did you figure you were being deprived on account of the dividends through your ownership of preferred stock?

Mr. INSULL. Well, I gave up 59—I got 5,900 shares of preferred.

Mr. PECORA. What was the difference in dollars and cents on account of the dividend item?

Mr. INSULL. I want to see how that was paid. There was a difference of \$4 for one year, \$3 for another year, \$2 for another year, and \$1. There was a difference of—6 and 4 are 10—\$10 on dividends.

Mr. PECORA. What was the gross difference in dollars and cents to you?

Mr. INSULL. The gross difference in dollars and cents to me was about \$59,000 hard cash.

Mr. PECORA. Hard cash.

Mr. INSULL. And I got this right to make what later turned out to be a very valuable profit, but at the time it was given it was soft cash; in other words, it might be a profit.

Mr. PECORA. When you exercised this option to buy 29,640 shares at \$15 a share the stock had a public or a market value of \$65 a share, which made a total of \$1,836,600, was it not?

Mr. INSULL. Yes.

Mr. PECORA. As the market value of that stock?

Mr. INSULL. Yes, but I didn't—

Mr. PECORA. And you got that stock for less than one-quarter of that price?

Mr. INSULL. But I turned around and sold it to the affiliated company, a considerable portion of it, at \$40 a share.

Mr. PECORA. Which still gave you a profit of the difference between \$15 a share and \$40 a share on that?

Mr. INSULL. Well, an unrealized profit. I still have the stock, or most of it, to-day.

Mr. PECORA. But you got something which at the market was worth over \$1,800,000 for a purchase price of less than 25 per cent of that?

Mr. INSULL. At the then market quotations.

Mr. PECORA. At the then market quotations.

The CHAIRMAN. Who else got that?

Mr. INSULL. That was limited to members——

The CHAIRMAN. Members of the——

Mr. INSULL. I think I ought to point out this fact in connection with this, if I may.

Mr. PECORA. I suggest you answer the chairman's question.

Mr. INSULL. Yes, Senator.

The CHAIRMAN. I was simply asking what other persons got that advantage—you getting nearly \$2,000,000 worth of stock for about \$500,000.

Mr. INSULL. My father.

The CHAIRMAN. And afterwards presenting the company with \$58,000 in dividends.

Mr. INSULL. My father.

The CHAIRMAN. Your father got it?

Mr. INSULL. In a different relative amount my father, and I think, my uncle.

The CHAIRMAN. Some of them were very large holders, were they not?

Mr. INSULL. Yes. The point I make is that I have held this stock. To-day I am busted. And that stock which I have held down through the crash, later on it had a market value of \$65 a share, is not worth anything to me to-day to try and pay my debts with, and I don't think you can just saw off the transaction at any one time and say a fellow got a benefit which he did not exercise when he has stuck with the ship and gone down with it.

Mr. PECORA. It was a benefit which you could have exercised in your own discretion at any time after December, 1929, when you got your stock, was it not?

Mr. INSULL. No; it was not, sir; because due to the formation of this company, the name of it, and my serving as a director and an officer, although I might have been legally free to sell it out, so to speak, except for selling some stock and finally finishing up selling less than I received as dividends, I did not feel free to sell stock. Although I might have legally done so, morally I felt bound, and I lived up to that moral obligation. That is why I am where I find myself to-day financially.

Mr. PECORA. Do you consider yourself in that position financially to-day because of this transaction?

Mr. INSULL. No, sir.

Mr. PECORA. Under this agreement of January 17, 1929?

Mr. INSULL. No, sir. I consider myself in that position, if I might say so—and I don't care to be indelicate and air my personal troubles and burden the Senate committee with them—but I consider the fact that a man who is an officer of the company, who may have been said to have gotten privileges from that fact, but who held his stock right down through the crash, is in a different position than if he sold it out—sold that stock.

The CHAIRMAN. Not knowing the crash was coming? That is what he gets credit for? If he had known it was coming, then there is no certainty he would have held it.

Mr. INSULL. Well, I don't see that it makes any difference, Senator, whether he knew it or not, if he stuck with the ship.

The CHAIRMAN. It does not take courage to stick with it if he does not know the ship is going to sink.

Mr. INSULL. But I hung on to these securities all the time conditions were getting lower and lower. I hung on to them through a period when, if I had been an uncontrolled, free agent I would have certainly sold out and paid my debts and at least been square.

The CHAIRMAN. A few million farmers consider that if they had seen what was coming they might have sold, but they do not come and claim any credit for hanging on.

Mr. INSULL. I am not claiming credit, Senator. I am just trying to get the facts before you.

Mr. PECORA. Mr. Insull, on January 17, 1929, when you acquired this option which you exercised in December, 1929, you had no expectation or feeling that the stock was going to depreciate in value subsequent to 1929 as it has done?

Mr. INSULL. I never considered that. I felt kind of obligated to maintain my holdings to a reasonable limit.

Mr. PECORA. At the time this agreement was made not only did the stock market open at a price more than double the price at which you were exercising the option or given this option right, but it continued right up to the time that you exercised it to increase, did it not?

Mr. INSULL. No, sir. I exercised it in December, 1929, and there had been a——

Mr. PECORA. There had been a drop from August?

Mr. INSULL. Yes.

Mr. PECORA. To December?

Mr. INSULL. Yes.

Mr. PECORA. But in December, 1929, when you exercised your option, even after the depreciation, the stock was selling for \$65?

Mr. INSULL. Yes, sir; that is correct. Oh, yes. No question about that.

Senator FLETCHER. How much stock did you receive, Mr. Insull, as dividends.

Mr. INSULL. I have got that here, Senator. (After a pause.) Dividends received, including scrip purchased, of 22,710 shares. Now, what that scrip purchase means is that if I wanted I might get one share; if it was three-tenths I might buy another seven-tenths to make up an odd share. And I sold for cash, gave in settlement for indebtedness, and gave away as gifts, an aggregate of 21,513 shares. That is not including 16,941 shares of forced sale that was made on me to sell out a brokerage account in the spring of 1932.

Mr. PECORA. Mr. Insull, didn't you actually dispose of some forty-odd thousand shares of the common stock that had been issued to you before 1932?

Mr. INSULL. Well, do you want me to—I can go through my whole transaction.

Mr. PECORA. No; just answer that one question.

Mr. INSULL. I only sold for cash and gave in settlement of indebtedness a total of 21,513 shares. Now, my share of this stock that was given to Halsey, Stuart as compensation for underwriting was 8,447 shares. I put 22,566 shares into the Western Securities Co., through which I later acquired Corporation Securities. So I disposed of Insull of 22,566, but I got Corporation Securities.

The CHAIRMAN. But they were both your companies?

Mr. INSULL. Yes, sir; but the point I am making with the attorney is that I did not sell it out or get cash for it.

Mr. PECORA. Mr. Insull, what was the reason for making this arrangement with Halsey, Stuart & Co. as the underwriters?

Mr. INSULL. We thought that the whole company would look a whole lot better starting off perfectly clean with no discount on securities. In other words, if the statement could be made that—have you got a copy of that circular [addressing Mr. McEnroe]? If we could make the statement substantially that the company was not at any expense for underwriting its securities, so the Insull family would compensate Halsey, Stuart in stock and Halsey, Stuart made the concession in taking their compensation in stock instead of cash.

Mr. PECORA. To what extent was Halsey, Stuart & Co. compensated by the members of your family under that arrangement?

Mr. INSULL. I think those figures—well, maybe you have given them back to me—those figures there—I think they got a total of 57,000 shares common.

Mr. PECORA. At \$12 a share?

Mr. INSULL. No. I forget what price it was figured at.

Mr. PECORA. Did not Halsey, Stuart & Co. under their underwriting agreement with the company make certain other benefits, acquire certain other benefits and profits, aside from this private arrangement your family made with them?

Mr. INSULL. I don't recall any, but there may have been.

Mr. PECORA. Didn't they, for instance, in various forms acquire options to purchase 600,000 shares of the common stock at \$12 and \$15 a share at the outset, as part of their underwriting understanding or agreement?

Mr. INSULL. Probably where that figure comes from is adding in the detachable warrants from the—no, they were nondetachable warrants, weren't they, on the debentures and the prior preferred?

Mr. McENROE. Detachable.

Mr. INSULL. You see, there were detachable warrants attached to the prior preferred and the debentures. Now, if you add the common stock they could have all got together, it comes to a big figure.

Mr. PECORA. It comes to 600,000 shares of common stock?

Mr. INSULL. But that Halsey-Stuart turned around and sold to the public with those warrants still attached.

Mr. PECORA. Did they?

Mr. INSULL. That is my impression, because they offered them. I am not testifying for Halsey-Stuart, but it is my impression that they did.

Mr. PECORA. Or did they attach those warrants and exercise them themselves?

Mr. INSULL. We would not know that. I really should not testify for them. I am just giving you my understanding of the arrangements, what impelled us to go into it.

The CHAIRMAN. The committee will recess until to-morrow morning at 10 o'clock and meet in this room. The witness will continue at that time. All other witnesses under subpoena will remain and be in attendance to-morrow morning.

(Accordingly, at 12.23 o'clock p. m., the committee adjourned until 10 o'clock a. m. of the next morning, Thursday, February 16, 1933.)

STOCK EXCHANGE PRACTICES

THURSDAY, FEBRUARY 16, 1933

UNITED STATES SENATE,
SUBCOMMITTEE OF COMMITTEE ON BANKING AND CURRENCY,
Washington, D. C.

The subcommittee met, pursuant to adjournment from Wednesday, February 15, 1933, at 10 o'clock a. m., in room 301 Senate Office Building, Senator Peter Norbeck presiding.

Present: Senators Norbeck (chairman), Couzens, Townsend, Fletcher, and Costigan.

Present also: Senators Brookhart, Watson, and Gore.

Further present: Ferdinand Pecora, special counsel to the committee; Julius Silver, and James B. McDonough, jr., associate counsel to the committee.

The CHAIRMAN. The committee will come to order. Senator Couzens desires to make a statement this morning.

Senator COUZENS. I understand from counsel for the committee that Mr. George W. Davison, chairman of the Central Hanover National Bank & Trust Co. of New York, was subpoenaed to appear here to-morrow. The Michigan and Detroit bank situation was such that they desired Mr. Davison's presence in Detroit to-day to assist the bankers in working out a clearing-house plan, because of Mr. Davison's long familiarity with it. It appears that Mr. Davison operated the clearing-house plan in 1907 during the money panic or bank panic, and I took it upon myself to say to Mr. Davison that he might go to Detroit last night, and he did, and I would leave it up to the subcommittee this morning to determine whether he could remain over in Detroit for the balance of the week and appear some time after this week at the convenience of the committee. The committee met this morning at 9.45 and decided that was agreeable.

The CHAIRMAN. Providing the other witnesses develop the facts we wanted, and if not, that Mr. Davison would come back here and testify. Is that right?

Senator COUZENS. That is not right, exactly. The understanding was that if the committee decided they wanted Mr. Davison at another time——

The CHAIRMAN. After this week.

Senator COUZENS. After this week.

The CHAIRMAN. But I think it was understood that if the testimony was developed by other witnesses, he might not be called at all.

Senator COUZENS. That was to be determined after we heard from the other witnesses, yes.

The CHAIRMAN. Correct.

Senator COUZENS. But he is excused for this week.

The CHAIRMAN. The subpoena still holds. That is the point I am trying to make.

Senator COUZENS. That is true.

Mr. PECORA. Mr. Samuel Insull, jr.

FURTHER TESTIMONY OF SAMUEL INSULL, JR., CHICAGO, ILL.

Mr. PECORA. Mr. Insull, how many corporations were affiliated in the so-called Insull group of public-utilities companies?

Mr. INSULL. I do not think I could answer offhand. I could name over the principal ones.

Mr. PECORA. What is your best estimate of the total number of corporations combined in the Insull group of public-utilities companies?

Mr. INSULL. I have no estimate at all, because to give one I should have to be familiar with questions with which I am not. There were subsidiary corporations in a good many systems where I was not directly in charge.

Mr. PECORA. Would you say that their number exceeded a hundred?

Mr. INSULL. Yes; I would say that it exceeded a hundred.

Mr. PECORA. In how many of them were you an officer?

Mr. INSULL. I think they naturally headed themselves up into seven groups. I was an officer in all seven of the groups, in one or more of the companies.

Mr. PECORA. In how many companies, all told, were you an officer?

Mr. INSULL. I have not any idea.

Mr. PECORA. Would you say as many as 50 of them?

Mr. INSULL. Yes.

Mr. PECORA. An executive officer of as many as 50 of them?

Mr. INSULL. No; I was not an executive officer of 50 of them. I would like to withdraw that. I am confused between officer and director. I was an officer or director in 50 of them.

Mr. PECORA. You were an officer or director in many more than 50, were you not?

Mr. INSULL. Possibly, I would say so. I would be glad to submit from my records, but I remember what my direct work was, and my responsibilities were, naturally, rather clearly.

Mr. PECORA. This general structure that I would refer to as the Insull group of public-utility companies had many ramifications and complications, did it not?

Mr. INSULL. Well, it comprised companies doing a gas, electricity, and transportation business in, I think, 30 States, with certain affiliates in other lines of business where they were an adjunct to the main business.

Mr. PECORA. How many of the companies in the group were operating companies, if you can tell us?

Mr. INSULL. I would not have any estimate of that any more than of the total number.

Mr. PECORA. Do you know any individual who could answer the question as to the number of companies that were grouped in this combination?

Mr. INSULL. No one individual; no. Any individual would have to do what I would have to do to have access to a number of different reports which have all been published and prepare from them a consolidated list.

Mr. PECORA. Would you say that half of the total number of companies in the group were operating companies, or was the proportion less than that?

Mr. INSULL. I would not want to say.

Mr. PECORA. How many of these companies in the group were holding companies, as distinguished from operating companies?

Mr. INSULL. I would not want to say, because it is the other side of the same question. I would have to prepare a schedule.

Senator COUZENS. Why not let us get the facts, and let him submit the facts, Mr. Counsel?

Mr. PECORA. Very well. How many of them were investment companies?

Mr. INSULL. There were at least three investment companies, and there may have been others.

Senator TOWNSEND. That will be shown in your report?

Mr. INSULL. In my schedule.

Mr. PECORA. Let me show you this booklet, entitled "The Insull Group of Public Utility Properties." Are you familiar with that booklet?

Mr. INSULL. Yes; I have seen the booklet.

Mr. PECORA. That was put out by the Insull Utility Investments Co., of which you were president?

Mr. INSULL. Yes, sir.

Mr. PECORA. Do you know who prepared that booklet?

Mr. INSULL. I am not quite sure—if I might have the privilege of consulting other witnesses.

Mr. PECORA. It is not important at this moment. Does that booklet set forth, so far as you know, the number and kind of companies that were combined in the so-called Insull group of public-utility companies?

Mr. INSULL. I notice in the back a list, and from one of the groups with which I was more familiar than the other, I would say that this book, this list, includes most of the companies which were active, either in the sense that they were doing business with the public, or in the sense that their securities were held in the public. It does not attempt to cover, I should believe, corporations which were kept alive to protect a name, or that sort of thing.

Senator COSTIGAN. From what pages of the booklet are you reading?

Mr. INSULL. I am reading, sir, from pages 42 through 45, inclusive.

Mr. PECORA. Can you refer us to any other piece of company literature that correctly and fully sets forth the names and kinds of companies that were united or grouped in the Insull group of public utility companies?

Mr. INSULL. Well, I would suggest that in this list, it is divided into headings, and at the head of each heading is a parent company. I would suggest that the annual reports of those parent companies, and in the case of the larger ones, sometimes from time to time they put out—the Middle West Utilities Co. put out—a schedule of companies. I would suggest that the annual reports of all the companies,

and that schedule of companies put out by the Middle West, would probably give the most comprehensive list that could be found.

Mr. PECORA. Is there a single piece of literature put out by any of the companies that correctly sets forth the companies united in the group?

Mr. INSULL. Not all of them, no; not to my knowledge.

Senator FLETCHER. What were those seven groups? You could specify those, perhaps?

Mr. INSULL. There was the Commonwealth Edison Co.—

Senator FLETCHER. Is that one group?

Mr. INSULL. That is one group—and its affiliates, which do an electric business in the Chicago city limits. There is the Public Service Co. of Northern Illinois, which does an electric business and some gas business in an area surrounding Chicago to the north and west, through northern Illinois. There is the Peoples Gas Light & Coke Co., which does a gas business within the city limits of Chicago. There is the Middle West Utilities Co. and its subsidiaries, which did mainly a gas, electric, and transportation business in about 30 States, including all the subsidiaries—30 or 32. There is the Midland United Co., whose subsidiaries did a gas and electric business generally in Indiana, and to some degree in Ohio. That is five. And there were the two investment trusts, Senator, the Insull Utilities and the Corporation Securities. I have left out some names on this schedule, but they would come in as affiliates of one or the other seven, one or more of them.

Senator FLETCHER. What was the need of forming these 100 companies or more that were formed? Were they speculative enterprises, or just for the purpose of putting out the stock, or what was the real need for them?

Mr. INSULL. Well, sir, I could speak only in respect to those of them where I had a direct responsibility at the time of formation. In a good many of them, at the time I became an officer, a certain corporate structure existed, with mortgages, stock, and so forth, which could not be disturbed, and in those cases I can not very well go back to the formation. In the ones I was directly familiar with, the reasons for the differences, I should say, were primarily threefold.

First, in the electric and gas business, regulation being by States, it is the general custom not only in these companies but in all groups, to have operating companies confined to State units, so that the corporate limits will coincide with the regulatory limits. Otherwise, you could get into a situation embarrassing not only to the company but to the public, where, for example, the State commission on one side of a line may have one idea regarding discretionary matters, issuance of securities, and so forth, and the State commission on the other side of the line might have another idea, and if the corporation overlaps the line, you would be in the unpleasant position of being told by two competent authorities to do two different things. That is the first reason—in other words, to make the corporate lines conform to the regulatory lines.

The second reason is what I might call the credit reason, generally speaking. I do not want to be taken as a banking witness, but I am speaking only from my own limited experience. In that experience, the credit of an electric company is, one might say, grade A. The credit of a gas company—there is nothing against the gas business,

but it is a fact—we might say, is about grade A minus; and the credit of a street-railway company is pretty well down in the alphabet.

If I am going into too great detail, I hope the Senator will stop me.
Senator FLETCHER. No.

Mr. INSULL. Suppose you had a corporation which did a gross business—which is quite a reasonable proportion—say, of \$2,000,000 in electric business, and half a million dollars in street railway business. The electric business in normal times has to expand from year to year, taking capital for new extensions, new plant to hook on new customers. It is not only good business, but it is mandatory under the regulatory authorities that you do expand to meet the requirements of the public. You put in that \$500,000 of street railway business with the \$2,000,000 of electric business, and you only help your ability to raise money for the half a million of business which is not expanding, and you hurt your ability to raise money for the \$2,000,000 of business which is expanding. Therefore, a second reason I would give for a multiplicity of corporations is to keep the transportation business, in so far as possible, by itself.

The third reason I would give is this, that it is always desirable—in this system as a whole, one might gain the impression that there was a gentleman sitting at the top of it somewhere who opened and closed every switch, so to speak, on the whole system. That, manifestly, is impossible in the electric, gas and transportation business, which are essentially local businesses. You can not compare it to a railroad, which is essentially a through business. The essential part of the electric business, the gas business and the street railway business is its local business. It gets all its revenue locally. Therefore, there is a natural tendency to split up into corporate units that are small enough so that you can put a competent man at the head of them and, subject to outlining the general policies, leave him pretty free to run the local business.

Senator BROOKHART. Does not that add an expense to the whole thing, when you have a holding company, and put an overhead over the top of that local organization?

Mr. INSULL. That is a very pertinent question, Senator. It is one that you can only work out in administrative procedure. One finds this: The problems of day to day management manifestly are ones requiring local attention. On the other hand, with no disrespect to a local man, if you get a good man and put him in a town of 50,000 people to run an electric property, he is busy with the local problems. He has got to get service to these local customers. He does not have time to design big transmission lines, locate power plants, and so forth. So that if a holding company correctly fulfills its function—and this is purely individual opinion, and I do not want to be taken as discussing the industry, but my individual opinion is that there is a field for the holding company in doing general engineering work of a nature which can not be done locally.

Senator BROOKHART. But why does the local company need so much general engineering?

Mr. INSULL. I will cite you a case where I had experience. Take the State of Indiana, where I had experience direct. There are only about six places in the State of Indiana where you can generate any appreciable amount of electric power. That is an offhand estimate. It might be seven, or it might be five.

Senator BROOKHART. You can do it with steam plants everywhere.

Mr. INSULL. But for every pound of coal you burn you have to circulate through your condensers about 600 to 800 pounds of water, and even with the steam plant, access to water is a very important factor. In fact, it is the controlling factor. That is why we do not build more plants at coal mines.

Senator BROOKHART. I know an instance, in the case of the village of Hinsdale, Ill., a suburb of Chicago, surrounded by Insull plants in other villages, where this village at Hinsdale has charged the Insull rates all the time, and has paid for its plant, enlarged the plant, built a garbage disposal plant out of the proceeds, and furnished \$100,000 toward the city hall. They have abolished most of the village taxes, and yet they have charged only the same rates as the Insull plants around there.

Mr. INSULL. I know of that plant. It is a very well-run plant, Senator; it deserves to be complimented.

Two things happen there that do not happen generally. In the first place, you have a very high-grade corps of citizens who give a great deal of service to that; and in the second place, there is no manufacturing load of any great proportion. I know a great many of the residents of Hinsdale, and a great many of them are my friends. They would not like to see somebody put down a big chemical works, a steel plant, or something of that nature in Hinsdale. If that were done, however, you would have to go to Lake Michigan or to the Illinois River, to get enough condensing water to supply power to such works.

Senator BROOKHART. We do not expect to have those big plants in every village in the country.

Mr. INSULL. No; but in the aggregate of the territory as a whole, comprising residential towns like Hinsdale, towns of 30,000 to 40,000, manufacturing places, and so forth, you find an industrial demand for power which forces you to build a system. I think the interesting point about this is that it is one point on which both advocates of public ownership and private ownership agree. You have to build a system of trunk transmission lines, to get the power from the few points where you can get access to enough condensing water to generate it, to the points where you have to use it. It is that sort of work that a local man can not very well do, because you have to look at the picture as a whole.

Senator FLETCHER. You have to do with electricity, gas, and transportation?

Mr. INSULL. Yes.

Senator FLETCHER. Is your transportation confined to street railways?

Mr. INSULL. Street railways; a small amount of interurban electric railways; an ownership of one short-line steam railroad; and large ownership and control, with a strong minority partner, in another short-line steam railroad, a very short switching road.

Senator COUZENS. Before you leave that line, I think the young man has perhaps not stated one of the most important reasons for all these subsidiaries, and particularly the holding company subsidiaries. By that process they are able to keep without the jurisdiction of the States. In other words, you have intercompany relations which can not be reached by the local utility commissions, because

they are not subject to subpoena, being foreign corporations. In other words, that has been evidenced throughout the Nation by the inability of local regulatory commissions to reach the American Telephone & Telegraph Co., to get their books and their intercompany fees and charges, because they are not subject to the jurisdiction of the State commissions. Is not that one of the interesting facts?

Mr. INSULL. That is undoubtedly a collateral effect, and it may in some cases be a cause for forming these corporations.

Senator COUZENS. I think that the collateral effect came ahead of the organization.

Mr. PECORA. Mr. Insull, from how many of these corporations did you personally draw a salary at one time, if you can tell us?

Mr. INSULL. I might miss some of them. I can tell you what my aggregate salaries were, if that gets at the same thing.

Mr. PECORA. Tell us that.

Mr. INSULL. I remember looking it up to testify in a Federal court. My aggregate salaries in 1930—I would like this testimony to be subject to that record, where I looked it up directly—were \$106,000. They got up to a peak of \$113,000, I think, in 1931. At the present time, my salary is \$50,000 a year. Not that my personal troubles are of interest to the Senate, but because the press is here, I would like the privilege of stating that my debts are over \$800,000.

Mr. PECORA. I do not think we are concerned with your debts.

Senator WATSON. Your salary is \$50,000. Do you get it?

Mr. INSULL. I get a look at it, Senator.

Mr. PECORA. Was the supervision of all these companies in the Insull group, numbering a hundred or more, centered in any one man?

Mr. INSULL. I am not trying to hedge the question, sir, but that involves the definition of "supervision."

Mr. PECORA. I am using the word in its ordinary sense.

Mr. INSULL. In its ordinary sense, no.

Senator COUZENS. But, in effect, it was there to be exercised if desired at any time?

Mr. INSULL. That is true, Senator.

Mr. PECORA. Who was the individual?

Mr. INSULL. My father, Mr. Samuel Insull. The reason for my strange kind of answer is that I was naturally in a peculiar position with respect to him, being both his only son and one of his employees.

Mr. PECORA. You have answered the question.

Mr. INSULL. His peculiarity was that he gave subordinates a good deal of responsibility and freedom.

Mr. PECORA. Was not the primary purpose of the incorporation of the investment trust known as the Insull Utility Investments Co. to enable your father and his family group to have a control, through stock ownership, of the principal operating companies?

Mr. INSULL. Yes, sir.

Mr. PECORA. And was not the main purpose of the incorporation of the Corporation Securities Co. of Chicago likewise to enable your father and his family group to exercise control, through stock ownership of the holding companies' securities, of the main operating companies?

Mr. INSULL. Well, yes. In general, I would like to put it this way, that the general purpose of both corporations was to perpetuate, not necessarily control of the family, but the control of a group

of operating people, including in the companies not a full control, but sufficient control—I think it is expressed in some of these documents—that if the public generally were sympathetic with the operating management there should be, in these investment companies, a large enough block of stock, together with the general public, to offset any other interests that might want to come in and get control.

On the other hand, there was never a large enough block of stock, nor was there ever contemplated there should be—because it would be impossible—to hold control as against a united group of general outside stockholders, the public generally. The purpose was to hold control as against some compact financial interests, if you had the support of the public generally.

Mr. PECORA. When was the Corporation Securities Co. of Chicago organized?

Mr. INSULL. I think in September or October, 1929; the fall of 1929.

Mr. PECORA. In October, 1929?

Mr. INSULL. Yes.

Mr. PECORA. That was about 10 months after the organization of the Insull Utility Investments Co.?

Mr. INSULL. Yes.

Mr. PECORA. And the Corporation Securities Co. of Chicago was set up as an investment trust, and functioned as such?

Mr. INSULL. Yes, sir.

Mr. PECORA. In the same way as the earlier company, the Insull Utility Investments Co.?

Mr. INSULL. The same general way.

Mr. PECORA. And it had about the same board of officers and directors as the Utility Investments?

Mr. INSULL. No; the officers and directors were somewhat different. I think the records show that. If this is what is of interest to you, my father and my uncle and myself were officers of both, and there were certain other officers in common. All the directors were not in common.

Mr. PECORA. Were not the other executive officers of the Corporation Securities Co. of Chicago persons connected with the organization called Halsey, Stuart & Co.?

Mr. INSULL. Yes, sir; between October and some date—I think it was April or May, 1930.

Mr. PECORA. And another one of the gentlemen who was an officer or director of both these investment trusts, was a Mr. Brewster?

Mr. INSULL. I wonder if there is a record of Corporation Securities here. Was he a director at first?

Mr. PECORA. Whether at first or subsequently, was he a director of both these investment companies?

Mr. INSULL. He was a director of Insull Utility Investments from its formation. He was a director of the Corporation Securities Co. since the annual meeting in 1932, I believe—pardon me if I may, to consult, Mr. McEnroe. I would like to be particular about testifying about somebody else. [After conferring with Mr. McEnroe.] He was elected subsequent to this, so that he was elected at the annual meeting in 1932.

Mr. PECORA. Mr. Brewster, I think you said yesterday, was a stock broker by occupation?

Mr. INSULL. He is a broker.

Mr. PECORA. Is it not a fact that there was a considerable exchange, back and forth, of securities between these two investment trusts during the years 1929, 1930, 1931, and 1932?

Mr. INSULL. I recall one particular exchange.

Mr. PECORA. Were there not many, without calling attention to any particular one? I want the general situation.

Mr. INSULL. I do not know whether there were many, or not, sir. Could I consult Mr. McEnroe? [After consulting Mr. McEnroe.] Yes; there were a number.

Mr. PECORA. There were very many, weren't there?

Mr. INSULL. "Very" is an indefinite term.

Mr. PECORA. They were very frequent, were they not—these exchanges and trades of securities back and forth?

Mr. INSULL. I do not want to quibble, but "very frequent" is so indefinite.

Mr. PECORA. They were not rare, were they?

Mr. INSULL. I am wondering if this would answer the question: The record undoubtedly shows such transactions——

Mr. PECORA. No; I want your recollection as an officer of both companies, if you have any.

Mr. INSULL. You said in the years 1929, 1930, and 1931?

Mr. PECORA. Yes.

Mr. INSULL (after conferring with associates). I do not recall any. That does not mean they did not take place, but you asked me for my recollection. I do not recall any up until the end of 1930, when I recall one, and I recall several in 1931.

Mr. PECORA. During the——

Mr. INSULL. During the first half of 1931, or the rest of the period mentioned, I do not recall them without reference to the record.

Mr. PECORA. During the operation of these two investment trusts, up to the time that they went into receivership in April, 1932, they purchased large quantities of securities issued by other Insull companies, principally operating companies, did they not?

Mr. INSULL. Yes, sir.

Mr. PECORA. And put those securities in their portfolios?

Mr. INSULL. Yes, sir.

Mr. PECORA. And the so-called earnings shown by the Insull Utility Investments Co., which was the older of these two investment trusts, and which were made public from time to time, were derived in large part from so-called appreciations of the value of those portfolio securities, were they not?

Mr. INSULL. No, sir.

Mr. PECORA. What were other sources of revenue that entered into earnings? Do you mean dividends paid to the companies on the stock of the operating companies which they held in their portfolios?

Mr. INSULL. Each annual report, which is certified to, incidentally, not only by outside auditors but independent auditors in the two corporations, shows—for instance, I am reading from the one from December 27, 1928, to December 31, 1929:

Cash dividends——

This is as published to the public——

stock dividends, taken in at market value at date of receipt; interest on bonds, notes, etc.; profit on sale of securities; profit from syndicate participation; sale of rights; miscellaneous income.

There is an example for that year, in Insull Utility Investments. Senator BROOKHART. I notice you mentioned syndicate participation. Yesterday, I believe, in answer to my question, you said there were no syndicates to boom these Insull stocks. Was not that the purpose of these syndicates?

Mr. INSULL. I thought, Senator, you had asked me whether there were market pools to boom the stock.

Senator BROOKHART. I meant any kind of a combination. I said, syndicate, pool, or group.

Mr. INSULL. Then I incorrectly answered you. There were one or two syndicates whose purpose was to underwrite the distribution of stock offered for rights.

Senator BROOKHART. Was not that the purpose of these exchanges that you mentioned?

Mr. INSULL. You mean to boom the market?

Senator BROOKHART. Yes.

Mr. INSULL. Some of the exchanges, Senator, involved securities that had been acquired in the market.

Senator BROOKHART. They exchanged them with other Insull securities, is that the idea?

Mr. INSULL. Yes, sir.

Senator BROOKHART. And then both securities were exchanged at a higher price, usually?

Mr. INSULL. I do not recall what the prices were that they were exchanged at. I think the record will show that pretty fully.

Senator BROOKHART. Was not that the purpose of these exchanges?

Mr. INSULL. No; I don't think you could say that was the purpose of the exchanges.

Senator BROOKHART. That is generally the way it happened, is it not?

Mr. INSULL. As I said, a good many of the exchanges involved securities which had been purchased in the market.

Senator BROOKHART. Why were they exchanged? That is what I am trying to get at. Was not that in order to show a higher price, an advancing price?

Mr. INSULL. They were exchanged because the investments were thought proper for the two companies.

Senator BROOKHART. But both of them were Insull investment companies, and what purpose could there be in exchanging them back and forth, from one to the other, if it was not to raise the price?

Mr. INSULL. I do not want to appear to dodge the question, but I do not recall any mark-up in exchanges in these corporations. There may have been.

Senator FLETCHER. Did either of these companies, of which you were an officer, engage brokers in different parts of the country, and in Chicago, to manage affairs for you on the stock exchange, or did you engage agents or representatives throughout these 30 States and elsewhere, to sell the stock to the public?

Mr. INSULL. These two companies did make purchases of securities on the exchanges through brokers. I think that answers the first part of your question.

Senator FLETCHER. How about sales to the public?

Mr. INSULL. Most of the sales to the public were made through the Utility Securities Co., and these companies did sell securities

to the Utility Securities Co. I was not in charge of its security distribution, so I do not think I can very well testify on how it distributed those stocks to the public. I know they were so distributed.

Senator FLETCHER. Do you know whether you had agents, or not, in these different States to sell them to the public?

Mr. INSULL. I do not know, myself, sir.

Mr. PECORA. Mr. Insull, are you familiar with the income-tax returns made to the Government by the Insull Utility Investments Co.?

Mr. INSULL. I undoubtedly executed some of them on the certification of the attorneys, or of the company's auditors, or the outside auditors, that they were correct. I did not myself prepare them, and I do not know much about income tax law ruling.

Mr. PECORA. Do you recall whether or not the income tax returns filed by the Insull Utility Investments Co. showed a profit or a loss?

Mr. INSULL. No, sir, I do not; without looking at them.

Mr. PECORA. Don't you recall that they showed a loss?

Mr. INSULL. No, sir; I do not recall that they showed anything.

Mr. PECORA. Do you know whether or not that company paid any income tax to the Government?

Mr. INSULL. I can find that out, I think, from these annual reports. I am sorry, but I have to testify a good deal from the record on figures, because I am not a financial expert.

There was a provision in 1929 for income tax of \$213,457.78. In 1930, there was a provision for income taxes of \$56,746.47; and in 1931, there was a provision for income taxes of \$27,456.18. Whether those were paid or not, I could not testify. Possibly the former treasurer, or somebody else, could.

Mr. PECORA. I show you this booklet entitled, "Report of Corporation Securities Co. of Chicago for the fiscal year ended December 31, 1931," and ask you if that was a report issued by that corporation to the public?

Mr. INSULL. Yes, sir.

Mr. PECORA. And what are the net earnings for the fiscal year ending December 31, 1931, according to the report of that company?

Mr. INSULL. According to page 5—let me see if I am looking at the right page—yes; this is the certified public accountants' statement. It is shown on page 10 of this same statement, and it is \$2,569,370.03.

Mr. PECORA. Now, will you look at this photostatic copy of the corporation's income tax return for the calendar year 1931, of the Corporation Securities Corporation of Chicago. Do you recognize that, those several pages in photostat, as being copies of the income tax return filed by that company for the year 1931, which was procured from the files of that company in its Chicago office.

Mr. INSULL. I have no reason to assume that they are not. But they are not signed and I can not identify them because I didn't work on them myself, except possibly to sign them.

Mr. PECORA. Will you look at the figures—

Mr. INSULL (continuing). So while I can not identify them, yet I have no reason to believe they are not the same.

Mr. PECORA. Will you look at the figures indicating net earnings or a loss, and tell the committee what they show in that respect.

Mr. INSULL. Well, the photostat shows the figures \$3,463,620.81.

And there is written in front of them, I presume because if it was in red it would not photostat, the word "loss."

Mr. PECORA. A loss?

Mr. INSULL. Yes, sir.

Mr. PECORA. While the published report of earnings of the company for that year showed net earnings of upwards of two and one-half million of dollars, is that correct?

Mr. INSULL. Yes, sir; \$2,569,370.03.

Mr. PECORA. Mr. Chairman, I now offer in evidence the printed pamphlet, being report of Corporation Securities Co. of Chicago for the fiscal year ended December 31, 1931, and ask to have it made a part of the record.

The CHAIRMAN. There being no objection it is so ordered.

(A printed pamphlet entitled "Report of Corporation Securities Co. of Chicago for the fiscal year ended December 31, 1931," was thereupon received in evidence and marked "Exhibit No. 2," and will be included in the original transcript for the purpose of printing, as follows:)

EXHIBIT No. 2

REPORT OF CORPORATION SECURITIES CO. OF CHICAGO FOR THE FISCAL YEAR ENDED DECEMBER 31, 1931

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

The stockholders of Corporation Securities Co. of Chicago are hereby notified that the annual meeting of the stockholders of said corporation will be held at the Civic Theater, southwest corner of Wacker Drive and Washington Street, in the city of Chicago, Ill., on Monday, the 15th day of February, 1932, at 2.30 o'clock p. m., for the purpose of the election of members of the board of directors and the transaction of any and all other business which may properly be brought before said meeting.

All stockholders and allotment certificate holders are requested to be present at such meeting in person or represented by proxy.

Allotment certificate holders are hereby notified that the Northern Trust Co., depositary of the capital stock represented by the allotment certificates, has deposited with the secretary of the corporation a duly executed proxy constituting the allotment certificate holders its proxies to represent and vote the shares of stock represented by the allotment certificates held by such allotment certificate holders, respectively, on February 5, 1932, the record date fixed by the board of directors of Corporation Securities Co. of Chicago, and giving to said allotment certificate holders the right to appoint substitute proxies in their stead. For such purpose a form of proxy is herewith inclosed, and all allotment certificate holders who do not expect to be present in person are requested to sign the inclosed proxy and return it to the corporation in the envelope inclosed for the purpose.

Under the provisions of the proxy of the Northern Trust Co., in the event that any stock represented by allotment certificates is not represented at said meeting by the holders of such certificates in person or by proxy, such stock may then be voted by its alternate proxies, Samuel Insull, H. L. Stuart, and Samuel Insull, jr., or any of them then and there present.

Only stockholders of record on the books of the corporation at the close of business on February 5, 1932, will be entitled to vote at said meeting.

JOHN F. O'KEEFE, *Secretary.*

Board of directors: Samuel Insull, Samuel Insull, jr., C. W. Sills, H. L. Stuart, Stanley Field, C. B. Stuart, Edward J. Doyle, Martin J. Insull, Edward F. Swift, F. K. Shrader, John H. Gulick.

Executive committee: Samuel Insull, H. L. Stuart, Samuel Insull, jr., Martin J. Insull.

Officers: Samuel Insull, chairman; Samuel Insull, jr., president; Martin J. Insull, vice president; P. J. McEnore, vice president; John F. O'Keefe, secretary and treasurer; C. W. Daniels, assistant secretary and assistant treasurer; W. J. McElligott, assistant secretary; W. R. Irwin, auditor.

Registrars of stocks and allotment certificates: Central Republic Bank and Trust Co., Chicago, Ill.; The Chase National Bank, New York, N. Y.

Transfer agents of stocks and allotment certificates: The Northern Trust Co., Chicago, Ill.; Central Hanover Bank & Trust Co., New York, N. Y.

To the Stockholders of Corporation Securities Co. of Chicago:

By direction of the board of directors, I submit to you herewith a report of the company's operations for the fiscal year ended December 31, 1931.

SAMUEL INSULL, *Chairman.*

To the stockholders of Corporation Securities Co. of Chicago:

The board of directors submits this annual report of the affairs of the company for the fiscal year ended December 31, 1931.

Following is a summary of the consolidated income account of the company and its wholly owned subsidiary, Corporation Syndicates (Inc.), for said fiscal year:

Income.....		\$5, 416, 058. 63
Expenses.....		559, 446. 93
Net income before interest charges.....		4, 856, 611. 70
Interest charges:		
Interest on serial gold notes.....	\$1, 379, 742. 92	
Other interest charges.....	907, 498. 75	
		<u>2, 287, 241. 67</u>
Net income for year.....		2, 569, 370. 03

The net income for the year was \$2,569,370.03. The dividend requirements on the \$3 optional preferred stock, 1929 series, amounted to \$1,823,199.36, leaving a balance of \$746,170.67 available for the payment of common stock dividends, which is the equivalent of 17 cents per share on 4,400,639 shares of common stock, the average amount of common stock outstanding during the year. Common stock dividends were paid in common stock issued against earnings and surplus on the basis of \$5 a share. Inasmuch as the earnings for the year were not sufficient to take care of these dividends \$514,099.46 of the amount required for them was charged against surplus previously accumulated from earnings. Since the close of the year, the board of directors has decided, in view of existing conditions, to suspend the payment of dividends on all classes of stock.

In the accounts of the company for the year stock dividends received have been taken upon the books of the company at their market value on the day received. On this basis the securities held in the investment account of the company on December 31, 1931, had on that date an aggregate book value of \$145,455,705.65, and an aggregate market value of \$33,970,252.09. Owing to the continued decline in market levels, there has been a further depreciation in the market value of these securities since December 31, 1931.

In the portfolio of the securities held by the company is a substantial amount of Insull Utility Investments (Inc.), a company closely allied with this company and organized for practically the same purposes. The two companies own substantial blocks of stocks in Commonwealth Edison Co., the Peoples Gas Light & Coke Co., Public Service Co. of Northern Illinois, Middle West Utilities Co. and subsidiaries, and Midland United Co. and subsidiaries, all well established public utility operating and holding companies. The earnings of all of these operating and holding companies for the year 1931 were very satisfactory, and after meeting all dividend requirements, all but one of them were, as a result of the year's operation, able to add to their earned surplus.

On September 1 the company paid off and canceled \$8,000,000 in principal amount of its serial gold notes which matured on that date. Earlier in the year the company issued and sold \$2,033,000 in principal amount of serial gold notes of later maturities. The company now has outstanding \$24,033,000 in principal amount of these notes. Of this amount, \$8,000,000 in principal amount mature on September 1, 1932, \$7,033,000 in principal amount on September 1, 1933, \$4,500,000 in principal amount on September 1, 1934, and \$4,500,000 in principal amount on September 1, 1935. The company's total indebtedness on December

31, 1931, with the exception of the "liability to deliver borrowed securities" amounted to \$57,755,960.96, as compared with \$54,780,368.90 on December 31, 1930.

The items appearing in the balance sheet as borrowed securities and loaned securities represent transactions between the company and affiliated companies. These transactions were made for the mutual benefit of the parties involved.

A reserve has been created against a portion of the securities loaned and another reserve has been created against the payment of notes and accounts receivable.

During the first nine months of the year the company acquired some of its own securities. Such of these as were sold during the year were sold at a loss of \$150,966.12, and such as were on hand on December 31, 1931, were written down to the market value on that date.

The management of the company realizes that, as a result of the decline in market value of the securities in its portfolio, a reorganization of the company must be effected as soon as market conditions show sufficient improvement to warrant such an undertaking. Any such action might involve a consolidation with Insull Utility Investments (Inc.), as the two companies were organized for practically the same purposes. They have always been closely affiliated and have a substantial ownership each in the other. It might be found desirable to make other plans for merger or consolidation with some other company under the same general management.

There has been no change during the year in the number of shares of the company's capital stock outstanding excepting the increase in common stock resulting from the issuance of 263,551 shares of common stock as common-stock dividends.

On December 31, 1930, there were 24,142 stockholders of all classes after eliminating duplications where a stockholder held more than one class of stock. On December 31, 1931, there were 26,030 stockholders of all classes, after eliminating duplications.

Appended is a certificate of audit of the company's books and accounts, a balance sheet, income account, surplus accounts, and a schedule of the securities owned, showing cost and market value on December 31, 1931, submitted after an examination by Touche, Niven & Co., certified public accountants.

By order of the board,

SAMUEL INSULL, Jr., *President.*

TOUCHE, NIVEN & Co.,
Chicago, February 10, 1932.

To the Chairman and Board of Directors, Corporation Securities Co. of Chicago:

We have examined the books and accounts of Corporation Securities Co. of Chicago and its wholly owned subsidiary, Corporation Syndicates (Inc.), for the year ended December 31, 1931, and certify that the accompanying consolidated balance sheet, income and surplus accounts, in our opinion, set forth the financial condition of the combined companies at December 31, 1931, and the result of their operations for the year then ended on the basis indicated therein. All securities held by the company, as detailed on accompanying summary of investments, were produced for our inspection or otherwise accounted for.

TOUCHE, NIVEN & Co.

Balance sheet of the Corporation Securities Co. of Chicago and Corporation Syndicates (Inc) for the year ended December 31, 1931

CONSOLIDATED INCOME AND EXPENSES

Income:

Cash dividends.....	\$1, 853, 081. 48
Stock dividends at market value when received.....	3, 424, 801. 58
Interest earned.....	187, 448. 31
Rights on hand taken up at subsequent sale price.....	143, 581. 75
Commissions earned.....	41, 709. 06
Sale of rights.....	1, 472. 62
Total.....	5, 652, 094. 80

Deduct losses from sale of securities.....	\$236, 036. 17	
Expenses.....		\$5, 416, 058. 63
		559, 446. 93
Net income before interest charges.....		4, 856, 611. 70
Interest charges:		
Interest on serial gold notes.....	1, 379, 742. 92	
Other interest charges.....	907, 498. 75	
		2, 287, 241. 67
Net income for year.....		2, 569, 370. 03

CONSOLIDATED EARNED SURPLUS ACCOUNT

Balance, Jan. 1, 1931.....		4, 492, 603. 86
Net income for year.....		2, 569, 370. 03
Total.....		7, 061, 973. 89
Deduct dividends paid:		
\$3 optional preferred stock—		
Paid in cash.....	\$1, 819, 685. 00	
Paid in common stock at the rate of 10 shares for every 100 shares per annum, 702 ¹⁷ / ₂₀₀ shares, at \$5 per share.....	3, 514. 36	
Total.....	1, 823, 199. 36	
Common stock—Paid in common stock at the rate of 6 shares for every 100 shares owned per annum, 252,054 ⁹ / ₂₀₀ shares, at \$5 per share.....	1, 260, 270. 13	
		3, 083, 469. 49
Balance, Dec. 31, 1931.....		3, 978, 504. 40

CONSOLIDATED CAPITAL SURPLUS ACCOUNT

Balance, Jan. 1, 1931.....		31, 730, 104. 86
Add: Adjustment of organization expense previously charged to capital surplus.....		1, 705. 40
Total.....		31, 731, 810. 26
Deduct:		
Discount and expense on serial gold notes.....	\$1, 209, 860. 99	
Realized loss on purchase and sale of company's own securities.....	150, 966. 12	
Write-down of company's own securities purchased and on hand to market value, Dec. 31, 1931.....	4, 467, 437. 03	
Reserved against notes and accounts receivable from affiliated companies and others.....	573, 935. 48	
Reserved against investment securities loaned to affiliated companies.....	538, 471. 37	
Total.....	6, 940, 670. 99	
Less amount previously reserved for contingencies.....	750, 000. 00	
		6, 190, 670. 99
Balance, Dec. 31, 1931.....		25, 541, 139. 27

ASSETS

Cash.....		1, 092, 717. 54
Notes and accounts due from affiliated companies and others.....	\$1, 028, 060. 46	
Less reserve.....	573, 935. 48	
		454, 124. 98
Interest and dividends receivable.....		136, 706. 24

Investment securities:

Unpledged.....	\$4, 591, 238. 78	
Pledged.....	136, 185, 839. 77	
Loaned to affiliated companies.....	1, 536, 953. 03	
Syndicate participations.....	3, 141, 674. 07	
Total.....	145, 455, 705. 65	
Less reserve against loaned securities.....	538, 471. 37	

\$144, 917, 234. 28

(The aggregate market value of the above securities at Dec. 31, 1931, amounts to \$33,970,252.09)

Company's own securities at market value, Dec. 31, 1931:

214,265.53 shares common stock.....	482, 099. 69
19,725 shares preferred stock.....	93, 693. 75
\$700,000 5 per cent serial gold notes due 1934.....	140, 000. 00

715, 793. 44

Of the above there are:

Unpledged.....	334, 357. 86
Pledged.....	381, 435. 58
Total.....	715, 793. 44

Borrowed securities at market value, Dec. 31, 1931, per contra, pledged.....

6, 326, 112. 25

Deferred charges.....

207, 456. 24

Total.....153, 850, 144. 97

LIABILITIES

Bank loans, secured.....	15, 750, 000. 00
Notes and accounts payable, partly secured.....	14, 491, 502. 29
Accrued interest payable.....	390, 633. 33
Purchase contract liabilities, due 1933-34.....	759, 500. 00
Liability under syndicate participations.....	2, 331, 325. 34
Liability to deliver borrowed securities at market value Dec. 31, 1931, per contra, partly secured.....	6, 326, 112. 25
Deferred profits on undelivered stock sales.....	24, 359. 34
Serial gold notes (authorized \$40,000,000):	
Issued.....	\$32, 033, 000. 00
Less matured and retired.....	8, 000, 000. 00

24, 033, 000. 00

Common stock scrip unconverted.....

110, 203. 75

Capital stock:

Prior preferred, no par—Authorized.....	Shares 1, 000, 000
---	-----------------------

\$3 optional preferred 1929 series, no par—	
---	--

Authorized.....	1, 000, 000
-----------------	-------------

Less issued and converted into common stock.....	37, 153
--	---------

962, 847

Issued and outstanding.....	748, 481
-----------------------------	----------

37, 424, 050. 00

Common, no par—

Authorized.....	6, 000, 000
-----------------	-------------

Reserved for conversion of preferred stock.....	1, 122, 722
---	-------------

Total.....	4, 877, 278
------------	-------------

Issued.....	4, 560, 004
-------------	-------------

22, 800, 018. 75

Less held in treasury for exchange of scrip.....	22, 041
--	---------

110, 203. 75

22, 689, 815. 00

Issued and outstanding.....	4, 537, 963
-----------------------------	-------------

Surplus:

Capital surplus paid in, reduced to.....	25, 541, 139. 27
--	------------------

Earned surplus.....	3, 978, 504. 40
---------------------	-----------------

29, 519, 643. 67

Total.....153, 850, 144. 97

(NOTE.—In addition to the above liabilities, there is a contingent liability arising out of a 15 per cent interest in an unclosed stock syndicate, which, if liquidated as of Dec. 31, 1931, would show a loss to the company of \$679,394.85. Dividends have not been accrued on the \$3 optional preferred stock, 1929 series, for the months of November and December, 1931.)

Corporation Securities Co. of Chicago and Corporation Syndicates (Inc.) consolidated summary of investments December 31, 1931

	Shares				Book value	Market value Dec. 31, 1931
	Pledged	Un-pledged	Loaned	Total		
Central and South West Utilities Co. common stock (Middle West Utilities Co. subsidiary).....	30,718	-----	-----	30,718	\$572,187.30	\$153,590.00
Commonwealth Edison Co., capital stock.....	63,834	-----	-----	63,834	20,345,060.27	7,596,246.00
Insull Utility Investments (Inc.):						
Common stock.....	949,464	-----	-----	949,464	48,124,609.07	5,578,101.00
\$6 preferred stock, second series.....	95,626	-----	-----	95,626	8,322,985.30	1,386,577.00
\$.50 prior preferred stock.....	29,899	-----	-----	29,899	2,480,506.32	448,485.00
Middle West Utilities Co.:						
Common stock.....	1,618,283	5,234	23,000	1,646,517	38,766,202.07	9,879,102.00
\$6 convertible preferred stock series A.....	32,397	4,823	3,000	40,220	3,978,159.03	1,538,415.00
Midland United Co., common stock.....	-----	1,031	-----	1,031	26,578.82	6,186.00
North American Light & Power Co., common stock.....	8,625	212	-----	8,837	536,024.22	220,927.00
The Peoples Gas Light & Coke Co., capital stock.....	34,807	-----	-----	34,807	10,221,403.91	4,107,226.00
Public Service Co. of Northern Illinois:						
Common stock.....	13,782	-----	-----	13,782	4,046,460.64	1,783,850.00
6 per cent preferred stock.....	334	-----	-----	334	43,023.02	35,070.00
7 per cent preferred stock.....	108	-----	-----	108	14,710.21	11,556.00
Public Service Trust, participation certificates, \$50 par value.....	-----	5,000	-----	5,000	1,335,180.00	(¹)
Second Utilities Syndicate (Inc.), capital stock.....	-----	2,500	-----	2,500	577,040.00	¹ 121,100.00
Miscellaneous investments:						
Pledged.....	-----	-----	-----	-----	111,804.93	-----
Loaned.....	-----	-----	-----	-----	721,669.00	-----
Unpledged.....	-----	-----	-----	-----	5,232,101.54	-----
Total.....	-----	-----	-----	-----	6,065,575.47	1,103,821.09
Grand total.....	-----	-----	-----	-----	145,455,705.65	33,970,252.09

¹ Market value, based on liquidating value.

Mr. PECORA. Now let me ask you—

Senator BROOKHART (interposing). Mr. Insull, how do you explain that discrepancy in the report to the public and the income-tax return?

Mr. INSULL. Well, Senator, in the first place, I do not attempt to explain income-tax figures because I know nothing about income tax at all. As to the published report, all that I know is this, that it is certified to by independent, outside auditors, and I, therefore, have reason to believe it is correct as stated.

Senator BROOKHART. Is the income-tax return incorrect, then?

Mr. INSULL. No. As I have stated, I hesitate to say anything about an income-tax return.

Senator BROOKHART. Well, It seems to me it is impossible for both of these to be correct.

Mr. INSULL. Well, I am not an accountant, and while I am not trying to dodge your question, I just don't know.

Senator BROOKHART. On the one hand, there is shown in the published report a profit of over \$2,000,000, while the income-tax return shows a loss, as I understand it.

The CHAIRMAN. Well, you are an officer in this company, or were?

Mr. INSULL. Yes, sir.

The CHAIRMAN. Do you know whether the company operated that year at a profit or a loss?

Mr. INSULL. Well, if I am right—

The CHAIRMAN (interposing). No, my question is this: Do you know whether it operated then at a profit or a loss?

Mr. INSULL. Yes, sir. Here is the statement.

The CHAIRMAN. Well, which was it, a profit or a loss?

Mr. INSULL. It operated at a profit as certified to by the independent auditors.

The CHAIRMAN. And yet it seems to have been returned for income-tax purposes as a loss.

Mr. INSULL. If that is the tax return; yes, sir.

The CHAIRMAN. And you do not know about that?

Mr. INSULL. No, sir.

The CHAIRMAN. Well, we will go into that further.

Mr. PECORA. That is all at this time on that. Now, Mr. Insull, were you a member of the finance committee of Insull Utility Investments (Inc.)

Mr. INSULL. Yes, sir.

Mr. PECORA. And the finance committee met at almost weekly intervals?

Mr. INSULL. Yes, sir.

Mr. PECORA. Mr. Chairman, may I ask at this point that this photostatic copy of the income-tax return be spread on the record?

The CHAIRMAN. There being no objection, it is so ordered.

(The photostatic copy of the Corporation Securities Co. of Chicago tax returns for 1931 is marked "Exhibit No. 3," and will her be printed as a part of the record.)

EXHIBIT No. 3

CORPORATION INCOME TAX RETURN FOR CALENDAR YEAR 1931

Corporation Securities Co. of Chicago, 72 West Adams Street, Chicago, Ill.

Date of incorporation: October 5, 1929.

Under the laws of what State or country: Illinois.

Kind of business: Investments.

Is this a consolidated return of two or more corporations? Yes.

If so, how many? Two.

GROSS INCOME

5. Interest on bank deposits, notes, mortgages, and corporation bonds-----	\$187, 448. 31
8. Profit from sale of real estate, stocks, bonds, and other capital assets (from Schedule B) (loss)-----	304, 263. 11
9. Dividends on stock of domestic corporations-----	1, 853, 081. 48
10. Other income (including dividends received on stock of foreign corporations). (State nature of income):	
(a) Profit from syndicate participations-----	6, 379. 30
(b) Commission earned on notes-----	41, 709. 06
11. Total income in Items 3 to 10-----	<u>1, 784, 355. 04</u>

DEDUCTIONS

12. Compensation of officers (from Schedule C)-----	\$8, 623. 92
13. Rent on business property-----	5, 549. 64
15. Interest-----	2, 287, 241. 67
16. Taxes (from Schedule E)-----	57, 387. 55
19. Dividends (from Schedule H)-----	1, 853, 081. 48
22. Other deductions not reported above. (Explain below, or on separate sheet): (c) Other deductions-----	1, 036, 091. 59
23. Total deductions in Items 12 to 22-----	5, 247, 975. 85
24. Net income (Item 11 minus Item 23) as per Schedule A attached (loss)-----	3, 463, 620. 81

COMPUTATION OF TAX

25. Net income (Item 24 above) (loss)-----	3, 463, 620. 81
--	-----------------

CORPORATION SECURITIES CO. OF CHICAGO

SCHEDULE A.—Consolidated income account supporting Form 1120, calendar year, 1931

	Corporation Securities Co. of Chicago	Corporation Syndicates (Inc.)	Intercom- pany elimi- nations— Consolidated
Gross income:			
Interest received-----	\$187, 448. 31		\$187, 448. 31
Profit and loss from sale of securities (Schedule B)-----	¹ 240, 942. 85	¹ 63, 320. 26	¹ 304, 263. 11
Dividends on stock of domestic corporations-----	1, 853, 081. 48		1, 853, 081. 48
Other income:			
Profit from syndicate participations-----	6, 379. 30		6, 379. 30
Commissions earned on notes-----	41, 709. 06		41, 709. 06
Total gross income-----	1, 847, 675. 30	¹ 63, 320. 26	1, 784, 355. 04
Deductions:			
Compensation of officers (Schedule C)-----	8, 623. 92		8, 623. 92
Rent-----	5, 549. 64		5, 549. 64
Interest-----	2, 287, 241. 67		2, 287, 241. 67
Taxes-----	57, 377. 55	10. 00	57, 387. 55
Cash dividends on stock of domestic corporations-----	1, 853, 081. 48		1, 853, 081. 48
Other deductions (Schedule 22(c))-----	1, 036, 091. 59		1, 036, 091. 59
Total deductions-----	5, 247, 965. 85	10. 00	5, 247, 975. 85
Taxable net income—loss-----	¹ 3, 400, 290. 55	¹ 63, 330. 26	¹ 3, 463, 620. 81

¹ Loss.

SCHEDULE B.—Profit and loss from sale of securities supporting Form 1120, calendar year 1931

Description	Date ac- quired	Amount re- ceived	Cost	Profit or loss
Corporation Securities Co. of Chicago:				
60,492 shares Middle West Utilities Co. (preferred stock)-----	¹ 1929 1930 1931	\$5, 575, 310. 46	\$5, 817, 725. 93	¹ 242, 415. 47
3,399 stock subscription rights, Common- wealth Edison Co.-----	1930	40, 788. 00	40, 363. 13	424. 87
3,266 stock subscription rights, Peoples Gas Light & Coke Co.-----	1930	32, 660. 00	31, 843. 50	816. 50
370 stock subscription rights, Public Service Co. of Northern Illinois-----	1930	6, 243. 75	6, 012. 50	231. 25
Total-----		5, 655, 002. 21	5, 895, 945. 06	¹ 240, 942. 85
Corporation Syndicates (Inc.): 68,643 ¹ / ₄ shares Corporation Securities Co. of Chicago (com- mon stock)-----	1931	1, 300, 538. 01	1, 363, 858. 27	¹ 63, 320. 26

¹ Loss.

SCHEDULE C.—*Compensation of officers supporting Form 1120, calendar year, 1931*

Name	Official title	Time devoted to business	Shares of stock owned—		Amount of compensation
			Common	Preferred	
P. J. McEnroe.....	Vice president.....	Part.....	948	200	\$4,080.00
John F. O'Keefe.....	Secretary and treasurer.....	do.....	111	100	1,879.92
Charles W. Daniels.....	Assistant secretary and assistant treasurer.....	do.....			744.00
W. R. Irwin.....	Auditor.....	do.....			1,920.00
Total.....					8,623.92

SCHEDULE 22 (c).—*Other deductions supporting Form 1120, calendar year 1931*

Advertising.....	\$28,435.68
Alterations.....	154.08
Commissions.....	178,681.50
Directors' fees.....	380.00
Expense on notes.....	3,834.72
Dividend expense.....	45,230.44
Executive committee fees.....	540.00
Expense of New York office.....	1,166.67
Expense of stockholders' meetings.....	14,937.45
Insurance.....	1,931.26
Legal and auditing.....	20,515.00
Miscellaneous.....	2,247.00
Office salaries.....	19,935.95
Periodicals and financial services.....	412.84
Printing and postage.....	965.86
Registrar fees and expenses.....	27,341.20
Stock expense.....	29,841.39
Telephone and telegraph.....	845.64
Transfer fees and expenses.....	90,508.43
Trustee fees and expenses.....	835.00
Office supplies.....	2,530.77
Amortization of discount and expense on serial gold notes.....	564,820.71
Total.....	1,036,091.59

SCHEDULE K-1.—*Consolidating balance sheet, December 31, 1930, supporting Form 1120, calendar year 1931*

	Corporation Securities Co. of Chicago	Corporation Syndicates (Inc.)	Intercompany eliminations	Consolidated
ASSETS				
Cash.....	\$7,233,875.32	\$49,999.00		\$7,283,874.32
Notes and accounts receivable.....	1,607,706.12		\$40,000.00	1,567,706.12
Investment securities.....	140,696,328.70		10,000.00	140,686,328.70
Unamortized debt discount and expense.....	1,134,860.99			1,134,860.99
Prepayments.....	27,863.80			27,863.80
Furniture and fixtures.....	463.82			463.82
Total assets.....	150,701,098.75	49,999.00	150,000.00	150,701,097.75
LIABILITIES				
Notes payable.....	15,881,745.00			15,881,745.00
Account payable.....	29,228.50	40,000.00	140,000.00	29,228.50
Interest accrued.....	502,874.90			502,874.90
Dividends accrued.....	374,240.50			374,240.50
Purchase contract obligations.....	7,992,280.00			7,992,280.00
Serial gold notes payable.....	30,000,000.00			30,000,000.00
Unearned commission on loan.....	41,709.06			41,709.06
Reserve for contingencies.....	750,000.00			750,000.00
Capital stock:				
Preferred.....	37,424,050.00			37,424,050.00
Common.....	21,412,340.02	10,000.00	10,000.00	21,412,340.02
Common stock scrip unconverted.....	69,922.05			69,922.05
Capital surplus.....	31,730,104.86			31,730,104.86
Earned surplus.....	4,492,602.86	1.00		4,492,602.86
Total liabilities.....	150,701,098.75	49,999.00	150,000.00	150,701,097.75

¹ Loss.

SCHEDULE K-2.—Consolidating balance sheet, December 31, 1931, supporting form 1120, calendar year 1931

	Corporation Securities Co. of Chicago	Corporation Syndicates (Inc.)	Inter- company eliminations	Consolidated
ASSETS				
Cash.....	\$1,086,803.54	\$5,914.00	-----	\$1,092,717.54
Notes and accounts receivable.....	1,028,060.46	-----	-----	1,028,060.46
Interest and dividends receivable.....	148,372.91	-----	-----	148,372.91
Investments.....	145,807,213.51	3,023,928.89	-----	148,831,142.40
Furniture and fixtures.....	463.82	-----	-----	463.82
Unamortized debt discount and expense.....	133,250.00	-----	-----	133,250.00
Prepayments and deferred charges.....	73,742.42	-----	-----	73,742.42
Advances to affiliated company.....	516,602.50	-----	\$516,602.50	-----
Investment in affiliated company.....	10,000.00	-----	10,000.00	-----
Total assets.....	148,804,509.16	3,029,842.89	526,602.50	151,307,749.55
LIABILITIES				
Serial gold notes.....	24,033,000.00	-----	-----	24,033,000.00
Notes payable.....	27,269,851.25	-----	-----	27,269,851.25
Accounts payable.....	445,921.24	2,525,729.80	-----	2,971,651.04
Purchase contract obligations.....	759,500.00	-----	-----	759,500.00
Liability on account of syndicate participa- tions.....	2,331,325.34	-----	-----	2,331,325.34
Interest accrued.....	402,300.00	-----	-----	402,300.00
Deferred profits on undelivered stock sales.....	24,359.34	-----	-----	24,359.34
Advances from affiliated company.....	-----	516,602.50	516,602.50	-----
Reserves:				
Against accounts and notes receivable.....	573,935.48	-----	-----	573,935.48
Against investment securities loaned.....	538,471.37	-----	-----	538,471.37
For company's own securities held by subsidiary.....	2,659,643.31	-----	-----	2,659,643.31
For loss on sale of company's own stock by subsidiary.....	63,320.26	-----	63,320.26	-----
Capital stock:				
Preferred stock.....	37,424,050.00	-----	-----	37,424,050.00
Common stock.....	22,800,018.75	10,000.00	10,000.00	22,800,018.75
Paid-in surplus.....	25,541,139.27	-----	63,320.26	25,604,459.53
Earned surplus.....	3,937,673.55	22,489.41	-----	3,915,184.14
Total liabilities.....	148,804,509.16	3,029,842.89	526,602.50	151,307,749.55

SCHEDULE L.—Reconciliation of net income and analysis of changes in surplus supporting Form 1120, calendar year 1931

	Corporation Securities Co. of Chicago	Corporation Syndicates (Inc.)	Intercom- pany elim- inations	Consolidated
Net taxable income (Schedule A).....	¹ \$3,400,290.55	¹ \$63,330.26	-----	¹ \$3,463,620.81
Additions:				
Cash dividends on stocks of domestic corporations.....	1,853,081.48	-----	-----	1,853,081.48
Stock dividends received.....	3,424,801.58	40,841.85	¹ \$40,841.85	3,424,801.58
Subscription rights taken into income at market value (not sold in 1931).....	143,581.75	-----	-----	143,581.75
Amortization of discount and expense on serial gold notes applicable to 1931 (entire unamortized portion was charged to capital surplus).....	564,820.71	-----	-----	564,820.71
Total additions.....	5,986,285.52	40,841.85	¹ 40,841.85	5,986,285.52
Balance.....	2,585,995.97	¹ 22,488.41	¹ 40,841.85	2,522,664.71
Deductions:				
Donations.....	12,863.80	-----	-----	12,863.80
Federal tax on interest.....	3,750.14	-----	-----	3,750.14
Total deductions.....	16,613.94	-----	-----	16,613.94
Net income as shown by books of account.....	2,569,381.03	¹ 22,488.41	¹ 40,841.85	2,506,050.77
Surplus, Jan. 1, 1931.....	4,492,603.86	1.00	-----	4,492,603.86
Total.....	7,061,984.89	22,489.41	¹ 40,841.85	6,998,653.63
Deduct dividends paid:				
Cash.....	1,823,199.36	-----	-----	1,823,199.36
Common stock.....	1,301,111.98	-----	¹ 40,841.85	1,260,270.13
Total.....	3,124,311.34	-----	¹ 40,841.85	3,083,469.49
Surplus, Dec. 31, 1931.....	3,937,673.55	¹ 22,489.41	-----	3,915,184.14

¹ Loss.

AFFILIATIONS SCHEDULE

(To be filed with each consolidated return (see article 12 (c) of regulations 75)

Taxable year ended December 31, 1931.

Parent corporation: Corporation Securities Co. of Chicago.

Address: 72 West Adams Street, Chicago, Ill.

The information required below must be submitted for all corporations which are affiliated. This includes all corporations in which at least 95 per cent of the stock is owned directly by the parent corporation, and in which an aggregate of at least 95 per cent of the stock is owned directly by the parent corporation and/or one or more of the other corporations the income of which is included in the consolidated returns. See section 141 of the revenue act of 1928, and articles 711 to 715 of regulations 74 and articles 1 to 16 of regulations 75.

Name and address of corporation	Date of incorporation	State or country in which incorporated	Capital stock outstanding at beginning of year ¹	Stock holdings at beginning of year		
				Number of shares	Per cent	Owned by corporation No.—
Parent corporation: Corporation Securities Co. of Chicago.	Oct. 5, 1929	Illinois	5,058, 918-82/200 shares having no par value.	(?)	-----	-----
Subsidiary corporation: Corporation Syndicates (Inc.), 72 West Adams Street, Chicago, Ill.	Mar. 12, 1930	...do....	2,000 shares, no par value.	2,000	100	1

¹ All classes of stock outstanding must be shown except nonvoting stock which is both limited and preferred as to dividends. Information relative to the nature of the limitation, and preference as to dividends, should be furnished below regarding all classes of nonvoting stock not shown. If any corporation was not in existence at beginning of the year, show stock outstanding at date issued.

² It is not necessary to show the number of shares and stockholders of parent corporation.

Changes in stock holdings during the year:

No change.

We, the undersigned, president and treasurer of the parent corporation, being severally duly sworn, each for himself deposes and says that the above information and statements have been examined by him and are, to the best of his knowledge and belief, true and complete for the taxable year as stated.

[SEAL.]

P. J. McENROE,

President.

JOHN F. O'KEEFE,

Treasurer.

Mr. PECORA. Now, Mr. Insull, look at this pamphlet entitled "Report of Corporation Securities Co. of Chicago for the Fiscal Year Ended December 31, 1930." And tell us if you recognize that as a published statement of that company.

Mr. INSULL. Yes, sir.

Mr. PECORA. And according to that report was there a profit or a loss on its business operations for the year 1930?

Mr. INSULL. Yes; on page 11, and I think that is the right page, there is shown net income for the year, according to the statement of Touche, Niven & Co., public accountants, of \$8,006,804.05.

Senator BROOKHART. That was certified by those outside accountants?

Mr. INSULL. Yes, sir.

Senator BROOKHART. And, of course, they got their information from the books and officers of the company, didn't they?

Mr. INSULL. Well, they made a direct examination—well, I did not participate in it, but my understanding is, and possibly this will answer your question [reading]:

We have examined the books and accounts of Corporation Securities Co. of Chicago.

Now, I take that as meaning that they made their own examination of the books direct.

Senator BROOKHART. And the company's records showed this profit of \$8,000,000?

Mr. INSULL. Yes, sir.

Mr. PECORA. Mr. Chairman, I now ask that this report may be made a part of the record.

The CHAIRMAN. Without objection, it is so ordered.

(Thereupon the printed pamphlet entitled "Report of Corporation Securities Co. of Chicago for the Fiscal Year Ended December 31, 1930," was marked "Exhibit 4," and will be printed at this point in the record:)

EXHIBIT 4

REPORT OF CORPORATION SECURITIES CO. OF CHICAGO., FOR THE FISCAL YEAR ENDED DECEMBER 31, 1930

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

The stockholders of Corporation Securities Co. of Chicago, are hereby notified that the annual meeting of the stockholders of said corporation will be held at the Civic Theater, southwest corner of Wacker Drive and Washington Street, in the city of Chicago, Ill., on Monday, the 16th day of February, 1931, at 12 o'clock noon, the time fixed by the by-laws of said corporation, for the purpose of the election of members of the board of directors and the transaction of any and all other business which may properly be brought before said meeting.

All stockholders and allotment certificate holders are requested to be present at such meeting in person or represented by proxy.

Allotment certificate holders are hereby notified that the Northern Trust Co., depository of the capital stock represented by the allotment certificates, has deposited with the secretary of the corporation a duly executed proxy constituting the allotment certificate holders its proxies to represent and vote the shares of stock represented by the allotment certificates held by such allotment certificate holders, respectively, on January 28, 1931, the date fixed by the board of directors of Corporation Securities Co. of Chicago for closing the transfer books of allotment certificates, and giving to said allotment certificate holders the right to appoint substitute proxies in their stead. For such purpose a form of proxy is herewith inclosed, and all allotment certificate holders who do not expect to be present in person are requested to sign the inclosed proxy and return it to the corporation in the envelope inclosed for the purpose.

Under the provisions of the proxy of the Northern Trust Co., in the event that any stock represented by allotment certificates is not represented at said meeting by the holders of such certificates in person or by proxy, such stock may then be voted by its alternate proxies, Samuel Insull, H. L. Stuart, and Samuel Insull, jr., or any of them then and there present.

Stockholders of record at the close of business on Wednesday, January 28, 1931, will be entitled to vote at such meeting. After said date transfer of stock or allotment certificates on the books of the corporation will not be permitted prior to said meeting.

JOHN F. O'KEEFE, *Secretary.*

Board of directors: Samuel Insull, Samuel Insull, jr., C. W. Sills, H. L. Stuart, Stanley Field, C. B. Stuart, Martin J. Insull, Edward F. Swift, F. K. Shrader, Edward J. Doyle, John H. Gulick.

Executive committee: Samuel Insull, H. L. Stuart, Martin J. Insull, Samuel Insull, jr.

Officers: Samuel Insull, chairman; Samuel Insull, jr., vice chairman; H. L. Stuart, president; Martin J. Insull, vice president; C. W. Sills, vice president;

P. J. McEnroe, vice president; John F. O'Keefe, secretary and treasurer; C. W. Dauiels, assistant secretary and assistant treasurer; W. J. McElligott, assistant secretary.

Registrar of stocks and allotment certificates: Central Trust Co. of Illinois, Chicago, Ill.; The Chase National Bank, New York City, N. Y.

Transfer agent of stocks and allotment certificates: Northern Trust Co., Chicago, Ill.; Central Hanover Bank & Trust Co., New York City, N. Y.

To the stockholders of Corporation Securities Co. of Chicago:

The board of directors submits this annual report of the affairs of the company for the fiscal year ended December 31, 1930.

The income, expenses, and earned surplus for the fiscal period were as follows:

Income.....	\$9, 685, 399. 94
Expenses.....	621, 835. 79
Net income before interest charges.....	9, 063, 564. 15
Interest charges:	
Interest on serial gold notes.....	\$393, 389. 64
Other interest charges.....	663, 370. 46
	1, 056, 760. 10
Net income for the year.....	8, 006, 804. 05
\$3 optional preferred stock, dividends paid and accrued:	
In cash.....	2, 122, 967. 01
In common stock at the rate of 10 shares for every 100 shares per annum—934 shares, at \$5 per share.....	4, 670. 00
	2, 127, 637. 01
Total.....	5, 879, 167. 04
Common stock dividend at the rate of 6 shares for every 100 shares per annum—183,331 ⁵⁸ / ₁₀₀ shares, at \$5 per share.....	916, 656. 47
Surplus income for the year.....	4, 962, 510. 57
Appropriated to reserve for contingencies.....	750, 000. 00
Total.....	4, 212, 510. 57
Surplus, Dec. 31, 1929.....	280, 093. 29
Surplus, Dec. 31, 1930.....	4, 492, 603. 86

It will be noted from the foregoing figures that after deducting the dividend requirements on the \$3 optional preferred stock, 1929 series, amounting to \$2,127,637.01, the balance of income available for common stock amounted to \$5,879,167.04, which is equivalent to \$1.55 per share on 3,791,027 shares of common stock, the average number of shares outstanding during the year.

By reference to the above income and surplus account, it will be seen that there was appropriated out of the year's earnings a reserve of \$750,000 for contingencies.

The company made arrangements for the temporary financing covered by the notes payable of \$15,881,745 secured by pledged securities at cost of \$29,524,592.05 as shown by the balance sheet, pending permanent financial arrangements.

In the accounts of the company for the year, stock dividends received have been taken at the market value on the day received, and stock rights received, if sold, have been taken at the amount realized and, if exercised or held to be exercised, at no value. On this basis securities held in the investment account of the company on December 31, 1930, had an aggregate book value of \$140,696,328.70 and an aggregate market value of \$95,448,578.96. On February 11, 1931, the same securities had an aggregate market value of \$133,200,054.60.

During the year the company acquired substantial blocks of stock of Insull Utility Investments (Inc.), Commonwealth Edison Co., Central and South West Utilities Co., Middle West Utilities Co., Midland United Co., The Peoples Gas Light & Coke Co., and Public Service Co. of Northern Illinois, all of which are under the same general management as this company. The company was organized for the specific purpose of acquiring and holding securities of the

above-named companies in order to insure continuity of the policy and management that have been responsible for their success, and at the end of the year, 97.4 per cent of the portfolio of the company was represented by securities of these companies.

This company and Insull Utility Investments (Inc.), are closely allied and in their investment policies generally act together. This company with Insull Utility Investments (Inc.), Public Service Trust, and Second Utilities Syndicate (Inc.), (the latter two being owned jointly by this company and Insull Utility Investments, (Inc.)) owns 17.19 per cent of the outstanding stock of the Commonwealth Edison Co.; 29.21 per cent of the outstanding stock of Middle West Utilities Co.; 28.78 per cent of the outstanding stock of the Peoples Gas Light & Coke Co.; and 11.45 per cent of the outstanding stock of Public Service Co. of Northern Illinois. As most of these corporations, the securities of which are so held, have a substantial interest in North American Light & Power Co., it was considered advisable for this company to add the securities of North American Light & Power Co. to its portfolio. With all of these holdings this company and Insull Utility Investments (Inc.), have an influential position in the ownership of the outstanding public utility properties above mentioned. The value of this intangible asset to this company is of great importance.

The company also acquired, during the year, a 25 per cent interest in Public Service Trust, and a 25 per cent interest in Second Utilities Syndicate (Inc.), the assets of which are made up of securities of the same corporations as those in which the funds of this company are invested. The income received through these two acquisitions in the form of dividends during the year, amounting to \$94,000, is reflected in the statement of income appended hereto. These interests were acquired from Insull Utility Investments (Inc.), in accordance with the policy adopted by both companies of participating in new investments made for their mutual benefit. The present policy is to divide investments so far as practicable between this company and Insull Utility Investments (Inc.), in the ratio of 40 to 60.

On March 17, 1930, the board of directors authorized the issuance and sale of 1,250,000 shares of the common stock of the company. This issue was sold, and the proceeds used for the acquisition of additional securities. At the time of this offering the common stock of the company was listed for trading on the Chicago Stock Exchange.

During the year the company also sold 85,634 units, each representing one share of \$3 optional preferred stock, 1929 series, and one share of common stock, represented by allotment certificates. The proceeds of the sale of the units were used to liquidate indebtedness incurred in connection with the acquisition of securities.

On March 22, 1930, the board of directors declared the first quarterly dividend of 1½ per cent on the common stock of the company, payable in common stock to holders of common stock of record June 2, 1930. This dividend was paid on June 20, 1930, and since then a similar dividend has been paid quarterly.

During the year the regular quarterly dividends have been paid upon the \$3 optional preferred stock, 1929 series, and under the options given to the stockholders such dividends to the extent of \$1,748,726.51 were paid in cash and the remainder in common stock.

In September, 1930, the board of directors authorized an issue of \$40,000,000 aggregate principal amount of serial gold notes dated September 1, 1930, and payable \$8,000,000 September 1, 1931, with interest at 4½ per cent per annum, and \$8,000,000 on September 1 of each of the four succeeding years, with interest at 5 per cent per annum. Notes of this issue to the aggregate principal amount of \$30,000,000 were sold, and the proceeds used in payment of accounts and notes payable of the company.

Thirty-seven thousand one hundred and fifty shares of the \$3 optional preferred stock, 1929 series, had been converted into common stock as of December 31, 1930, leaving 748,481 shares outstanding.

The company does not hold any of its own securities in its treasury, except the common stock represented by fractional scrip outstanding.

On June 11, 1930, the stockholders voted to increase the membership of the board of directors of the company from 7 to 11 and elected Messrs. E. J. Doyle, Stanley Field, John H. Gulick, and Edward F. Swift as the 4 additional directors.

On January 1, 1930, the company had 4,425 holders of its allotment certificates and on December 31, 1930, there were 24,142 holders of allotment certificates and common stock of the company, after eliminating duplications where a stockholder held both.

On May 19, 1930, the offices of the company were moved from 201 South La Salle Street and now occupy quarters with Insull Utility Investments (Inc.), at 72 West Adams Street, Chicago, Ill. This arrangement adds to the economy of operation and places both companies under the same management in all departments.

Appended is a certificate of audit of the company's books and accounts, a statement of income account for the year, a balance sheet and a schedule of the securities owned, showing book value and market value on December 31, 1930, and market value on February 11, 1931, submitted after an examination by Touche, Niven & Co., certified public accountants.

By order of the board:

SAMUEL INSULL, *Chairman.*

FEBRUARY 14, 1931.

TOUCHE, NIVEN & Co.,
Chicago, February 13, 1931.

*To the Chairman and the Board of Directors,
Corporation Securities Co. of Chicago:*

We have examined the books and accounts of Corporation Securities Co. of Chicago for the year ended December 31, 1930, and certify that the accompanying balance sheet and relative statement of profit and loss and earned surplus account have been correctly prepared therefrom.

The investments were actually counted or otherwise verified as at December 31, 1930. The list of investment securities appended hereto shows the book value, market value as of December 31, 1930, and market value as of February 11, 1931; and

We report that, in our opinion, the foregoing balance sheet and relative statement of profit and loss and earned surplus fairly set forth the financial condition of the company at December 31, 1930, and the result of operations for the year then ended.

TOUCHE, NIVEN & Co.

Statement of the Corporation Securities Co. of Chicago for the year ended December 31, 1930

INCOME, EXPENSES, AND EARNED SURPLUS

Income:

Cash dividends	\$1, 914, 489. 96
Stock dividends, taken in at market value at date of receipt	5, 180, 457. 95
Interest on bonds, notes, etc.	335, 745. 98
Profit on sale of securities	137, 685. 09
Profit on syndicate participations	560, 966. 39
Sale of rights	1, 497, 763. 63
Commissions earned	58, 290. 94

Total	9, 685, 399. 94
-------	-----------------

Expenses	621, 835. 79
----------	--------------

Net income before interest charges	9, 063, 564. 15
------------------------------------	-----------------

Interest charges:

Interest on serial gold notes	\$393, 389. 64
Other interest charges	663, 370. 46
	1, 056, 760. 10

Net income for the year	8, 006, 804. 05
-------------------------	-----------------

\$3 optional preferred stock dividends paid and accrued:

In cash	\$2, 122, 967. 01
In common stock at the rate of 10 shares for every 100 shares per annum, 934 shares at \$5 per share	4, 670. 00
	2, 127, 637. 01

Total	5, 879, 167. 04
-------	-----------------

Common-stock dividend on common stock at the rate of 6 shares, for every 100 shares per annum—183,331-58/200ths shares at \$5 per share	916, 656. 47
---	--------------

Surplus income for the year	\$4, 962, 510. 57
Appropriated to reserve for contingencies	750, 000. 00
Total	4, 212, 510. 57
Surplus, Dec. 31, 1929	280, 093. 29
Surplus, Dec. 31, 1930	4, 492, 603. 86

ASSETS

Cash	7, 233, 875. 32
Notes and accounts receivable	1, 607, 706. 12
Unamortized discount and expense on serial gold notes, etc.	1, 163, 188. 61
Investment securities:	
Pledged (under temporary loans)	\$29, 524, 592. 05
Unpledged	97, 867, 936. 65
Under contract of purchase	13, 303, 800. 00
	140, 696, 328. 70

The aggregate market value of above Investment securities was:

As of Dec. 31, 1930	95, 448, 578. 96
As of Feb. 11, 1931	133, 200, 054. 60

Total	150, 701, 098. 75
-------	-------------------

LIABILITIES

Notes payable	15, 881, 745. 00
Accounts payable, including interest accrued	532, 103. 40
Dividends accrued	374, 240. 50
Liability under contract of purchase (due 1931)	7, 992, 280. 00
Unearned commissions on loan	41, 709. 06
Serial gold notes (authorized \$40,000,000) outstanding	30, 000, 000. 00
Common stock scrip, unconverted—13,984 $\frac{8}{100}$ shares	69, 922. 05
Capital stock:	

Shares

Prior preferred, no par—		
Authorized	1, 000, 000	
\$3 optional preferred, 1929 series no par—		
Authorized	1, 000, 000	
Less issued and converted into common	37, 153	
	962, 847	
Issued and outstanding	748, 481	37, 424, 050. 00
Common, no par—		
Authorized	6, 000, 000	
Reserved under option and for conversion of preferred stock	1, 631, 061	
	4, 368, 939	
Issued	4, 296, 453	\$21,482,262. 07
Less: Held in treasury for exchange of scrip	13, 985	
	4, 282, 468	69, 922. 05
		21, 412, 340. 02
Reserve for contingencies		750, 000. 00
Surplus:		
Capital surplus, paid in—		
Balance Jan. 1, 1930, reduced to	3, 455, 827. 86	
Net additions during year	28, 274, 277. 00	
	31, 730, 104. 86	
Earned surplus	4, 492, 603. 86	
		36, 222, 708. 72
Total		150, 701, 098. 75

Corporation Securities Co. of Chicago, investment securities, December 31, 1930

	Shares	Book value	Market value, Dec. 31, 1930	Market value, Feb. 11, 1931
Central & South West Utilities Co., common stock (Middle West Utilities Co. subsidiary).....	24,365	\$461,815.15	\$414,205.00	\$590,851.25
Commonwealth Edison Co., capital stock.....	62,169	19,988,362.52	13,739,349.00	15,635,503.50
Insull Utility Investments (Inc.):				
Common stock.....	893,432	46,587,150.37	26,132,890.68	43,889,855.15
\$6 preferred stock.....	91,814	7,971,805.30	6,886,050.00	8,263,260.00
\$5.50 prior preferred stock.....	29,768	2,460,713.32	2,232,600.00	2,768,424.00
Middle West Utilities Co.:				
Common stock.....	1,511,196	36,376,908.33	26,068,131.00	37,591,000.50
\$6 convertible preferred stock.....	80,993	8,467,464.13	7,896,817.50	8,099,300.00
Midland United Co., common stock.....	970	25,665.20	18,187.50	22,310.00
North American Light & Power Co., common stock.....	7,984	489,020.00	502,992.00	510,976.00
The Peoples Gas Light & Coke Co., capital stock.....	32,607	9,818,803.91	6,554,007.00	8,119,143.00
Public Service Co. of Northern Illinois:				
Common stock.....	13,329	3,934,598.14	2,672,464.50	3,465,540.00
6 per cent preferred stock.....	334	43,023.02	41,082.00	43,837.50
7 per cent preferred stock.....	108	14,710.21	13,392.00	15,444.00
Public Service Trust, \$50 par value participation certificates.....	5,000	1,335,180.00	¹ 692,250.00	¹ 1,149,500.00
Second Utilities Syndicate (Inc.) capital stock.....	2,500	577,040.00	¹ 373,325.00	¹ 522,400.00
BONDS				
\$774,000 Insull Utility Investments (Inc.), 6 per cent debentures, series B.....		\$81,286.59	650,160.00	723,690.00
\$35,000 Insull Utility Investments (Inc.), 5 per cent debentures, series A.....		29,106.51	29,400.00	31,150.00
SUNDRIES				
Middle West Utilities Co.:				
Common stock purchase warrants, series A.....	79,600		79,600.00	318,400.00
Common stock purchase warrants, series B.....	79,600		119,400.00	398,000.00
Miscellaneous investments.....		1,313,676.00	332,275.78	1,041,469.70
Total.....		140,696,328.70	95,448,578.96	133,200,054.60

Market value based on liquidating value.

Mr. PECORA. Now, Mr. Insull, I show you a photostatic copy of what purports to be the corporation income-tax return for the calendar year 1930 of Corporation Securities Co. of Chicago, taken from a copy of that report in the files at the company's offices in Chicago. Will you look at it and tell us whether it shows a profit or a loss; that while the published report showed net earnings of over \$8,000,000, this does not return a loss of \$788,786.29?

Mr. INSULL. This report, which I can not identify, because I did not make it up; that is, it has no signature on it that I can identify——

Mr. PECORA. I did not hear you.

Mr. INSULL. I say, this is a report which I can not identify because I did not make it up, and because it has no signature on it. But I have no reason to say that it is not what it purports to be. It shows a net loss of \$788,786.29.

Mr. PECORA. Now, during the years 1930 and 1931, the period of time covered by the published reports of earnings, and by these corporation income-tax returns, was the Corporation Securities Co. engaged in selling its stock to the public on the basis of the return of earnings in the published statements?

Mr. INSULL. Yes, sir.

Mr. PECORA. And did the same thing occur with respect to the stock of Insull Utility Investments Corporation during those two years?

Mr. INSULL. That is, 1929 and 1930?

Mr. PECORA. Yes.

Mr. INSULL. Yes. They sold stock to brokers from time to time, who sold it to the public, and furnished statements of earnings.

Mr. PECORA. Don't you know also in the case of Insull Utility Investments Corporation the published reports to the public showed net earnings for each of those years of millions of dollars, whereas the income-tax returns showed a loss for each of those years?

Mr. INSULL. Well, the returns which you have just shown me show losses as enumerated. So I take it to be that that is what the income-tax returns showed.

Senator BROOKHART. And you don't know about that yourself?

Mr. INSULL. No, I do not.

Senator BROOKHART. You don't know whether you paid an income tax or not?

Mr. INSULL. No, sir. The treasurer would know that.

Mr. CONDON. Might I make a suggestion to Mr. Insull?

Mr. PECORA. No. Please don't interrupt.

Mr. INSULL. I did not myself see the checks for payment of income tax, and I do not have direct supervision over the accounting and the work of the treasurer.

Senator BROOKHART. Wasn't that a question of enough importance to be talked over by all of the executive officers?

Mr. INSULL. No, sir. Quite frankly what would happen with that was that the accountants and the lawyers would prepare the income-tax return, and I do not know whether they furnished formal certificates and opinions as to its soundness or whether they furnished verbal ones. But when the experts passed on it we took it as done.

Senator BROOKHART. You might not know the details, but you certainly would know the result, whether or not you had to pay any particular income tax.

Mr. INSULL. I have read that the provision was made, and I assume that the tax return was paid, but I merely do not want to put myself in the position of testifying that something was done when maybe it was not, something of which I have no direct knowledge.

Mr. PECORA. Mr. Insull, let me show you this pamphlet entitled "Report of Insull Utility Investments (Inc.), for the Fiscal Year Ended December 31, 1930." Please look at it and tell us if that is a piece of literature put out publicly by the company as a report of its operations during the year 1930.

Mr. INSULL. Yes, sir.

Mr. PECORA. And according to that report were there net earnings or losses incurred by the company during that year of its operations?

Mr. INSULL. According to the certificate of Arthur Young & Co., accountants and auditors—

Mr. PECORA (interposing). No; according to that published report.

Mr. INSULL. Yes, sir; which includes Arthur Young & Co.'s certificates, on page 10, there were net earnings of \$10,343,072.24.

Mr. PECORA. Now, Mr. Chairman, I should like at this point to have placed in the record the photostatic copy of the corporation income-tax return of Corporation Securities Co. of Chicago for 1930 and the printed report of the Insull Utility Investments (Inc.), for the fiscal year ended December 31, 1930.

The CHAIRMAN. There being no objection it is so ordered.

(The photostatic copy of corporation income-tax return for the calendar year 1930 of Corporation Securities Corporation of Chicago, marked "Exhibit 5" will here be printed as a part of the record:)

EXHIBIT No. 5

CORPORATION INCOME-TAX RETURN FOR CALENDAR YEAR 1930

Corporation Securities Co. of Chicago, 72 West Adams Street, Chicago, Ill.

Date of incorporation, October 5, 1929.

Under the laws of what State or country: Illinois.

Kind of business: Investments.

Is this a consolidated return or two or more corporations? Yes. If so, how many? Two.

GROSS INCOME

5. Interest on bank deposits, notes, mortgages, and corporation bonds.....	\$353, 246. 18
8. Loss from sale of real estate, stocks, bonds, and other capital assets (from Schedule B) (loss).....	229, 951. 46
9. Dividends on stock of domestic corporations.....	1, 580, 479. 09
10. Other income (including dividends received on stock of foreign corporations). (State nature of income):	
(a) Profit from syndicate participations.....	610, 714. 89
(b) Commission earned on loan.....	58, 290. 94
11. Total income in items 3 to 10.....	<u>2, 372, 779. 64</u>

DEDUCTIONS

12. Compensation of officers (from Schedule C).....	3, 817. 82
13. Rent on business property.....	4, 153. 03
15. Interest.....	1, 072, 510. 10
16. Taxes (from Schedule E).....	81, 571. 81
19. Dividends (from Schedule H).....	1, 580, 479. 09
20. Depreciation (resulting from exhaustion, wear and tear, or obsolescence) (from Schedule I).....	617. 80
22. Other deductions not reported above. (Explain below, or on separate sheet): (c) Schedule attached.....	418, 416. 28
23. Total deductions in items 12 to 22.....	<u>3, 161, 565. 93</u>
24. Net (loss) (item 11 minus item 23).....	<u>788, 786. 29</u>

COMPUTATION OF TAX

25. Net income (item 24 above) (loss).....	788, 786. 29
30. Total tax (item 28 plus item 29).....	None.
33. Balance of tax (item 30 minus items 31 and 32).....	None.

CORPORATION SECURITIES CO. OF CHICAGO

SCHEDULE A.—Consolidating income statement supporting Form 1120—Calendar year 1930

	Corporation Securities Co. of Chicago	Corporation Syndicates (Inc.)	Intercompany eliminations	Consolidated
Gross income:				
Interest received.....	\$335, 745. 98	\$17, 500. 20		\$353, 246. 18
Profit and loss from sale of securities (Schedule B).....	229, 951. 46			229, 951. 46
Dividends on stocks of domestic corporations.....	1, 881, 931. 45		301, 452. 36	1, 580, 479. 09
Other income:				
Profit from syndicate participations.....	310, 966. 39	299, 748. 50		610, 714. 89
Commission earned on loan.....	58, 290. 94			58, 290. 94
Total gross income.....	<u>2, 356, 983. 30</u>	<u>317, 248. 70</u>	<u>301, 452. 36</u>	<u>2, 372, 779. 64</u>

¹ The books of account of Corporation Securities Co. of Chicago show the sum of \$560,966.39 as profit from syndicate participations. In preparing this return there has been deducted the sum of \$250,000 which was charged on the books to capital surplus. The expenditure of \$250,000 is directly applicable to a transaction in which Corporation Syndicates (Inc.) realized its profit of \$299,748.50.

² Loss.

CORPORATION SECURITIES CO. OF CHICAGO—Continued

SCHEDULE A.—Consolidating income statement supporting Form 1120—Calendar year 1930—Continued

	Corporation Securities Co. of Chicago	Corporation Syndicates (Inc.)	Intercom- pany elim- inations	Consolidated
Deductions:				
Compensation of officers (schedule C).....	\$3,817.82			\$3,817.82
Rent.....	4,153.03			4,153.03
Interest.....	1,056,760.10	\$15,750.00		1,072,510.10
Taxes.....	81,571.81			81,571.81
Cash dividends on stocks of domestic cor- porations.....	1,881,931.45		¹ \$301,452.36	1,580,479.09
Depreciation and amortization of altera- tions to office.....	617.80			617.80
Other deductions (schedule 22).....	418,368.94	47.34		418,416.28
Total deductions.....	3,447,220.95	16,797.34	¹ 301,452.36	3,161,565.93
Net taxable income.....	² 1,090,236.65	301,451.36		² 788,786.29

¹ Loss.

SCHEDULE B.—Profit and loss from sale of securities supporting Form 1120—calendar year 1930

Description	Date ac- quired	Amount re- ceived	Cost	Profit or loss (minus)
50 shares United Gas Improvement Co. common stock.....	1929	\$1,840.50	\$1,249.00	\$591.50
1 share Chicago North Shore & Milwaukee R. R. Co. preferred stock.....	1929	34.98	56.00	-21.02
3,340 shares St. Louis & Southwestern R. R. Co. pre- ferred stock.....	1930	333,474.86	299,977.19	33,497.67
2,150 shares St. Louis & Southwestern R. R. Co. com- mon stock.....	1930	160,820.00	168,805.77	-7,985.77
34,146 shares Insull Utility Investments (Inc.), common stock.....	1930	1,912,220.00	1,786,739.16	125,480.84
20,300 shares Peoples Gas, Light & Coke Co., capital stock.....	1930	7,105,000.00	6,761,906.65	343,093.35
1,039 shares Commonwealth Edison Co., capital stock.....	1930	336,445.58	319,037.21	17,408.37
Cities Service Co. debentures.....	1930	975,000.00	1,000,000.00	-25,000.00
63,208 stock subscription rights, Commonwealth Edi- son Co.....	1930	761,584.38	1,073,457.85	-311,873.47
62,907 stock subscription rights, Peoples Gas, Light & Coke Co.....	1930	515,843.25	819,103.80	-303,260.65
13,771 stock subscription rights, Public Service Co. of Northern Illinois.....	1930	220,336.00	322,218.38	-101,882.38
Total.....		12,322,599.56	12,562,551.01	-229,951.46

SCHEDULE C.—Compensation of officers supporting Form 1120—Calendar year 1930

Name	Official title	Time devoted to busi- ness	Shares of stock held		Compensation
			Com- mon	Pre- ferred	
P. J. McEnroe.....	Vice president.....	Part.....	709		\$2,350.00
John F. O'Keefe.....	Secretary and treasurer.....	do.....	625	100	427.82
Charles W. Daniels.....	Assistant secretary and assistant treas- urer.....	do.....			245.00
W. R. Irwin.....	Auditor.....	do.....			795.00
Total.....					3,817.82

SCHEDULE 22.—Other deductions supporting Form 1120—Calendar year 1930

	Corporation Securities Co. of Chicago	Corporation Syndicates (Inc.)	Consoli- dated
Advertising.....	\$4,506.15	-----	\$4,506.15
Directors' fees.....	120.00	-----	120.00
Discount and expense on serial gold notes.....	219,934.56	-----	219,934.56
Dividend expense.....	33,738.32	-----	33,738.32
Exchange.....	51.18	-----	51.18
Expense of stockholders' meetings.....	3,807.52	-----	3,807.52
Insurance.....	930.04	-----	930.04
Legal and accounting.....	25,870.44	-----	25,870.44
Miscellaneous expense.....	4,109.19	\$47.34	4,156.53
Office salaries.....	16,943.07	-----	16,943.07
Office supplies.....	2,832.34	-----	2,832.34
Periodicals and financial services.....	212.03	-----	212.03
Printing and postage.....	1,962.21	-----	1,962.21
Registrar and transfer fees and expenses.....	73,555.78	-----	73,555.78
Stock expense.....	28,907.09	-----	28,907.09
Telephone and telegraph.....	889.02	-----	889.02
Totals.....	418,368.94	47.34	418,416.28

SCHEDULE K-1.—Balance sheet, December 31, 1929, supporting Form 1120—Calendar year 1930

ASSETS

Cash and call loans.....	\$6,992,596.42
Notes receivable.....	3,437,364.31
Accounts receivable.....	225,598.90
Investments.....	53,826,263.63
Total assets.....	64,481,823.26

LIABILITIES

Purchase contract obligations and accounts payable.....	12,246,029.61
Capital stock:	
Preferred.....	34,999,850.00
Common.....	13,500,022.50
Total capital stock.....	48,499,872.50
Capital surplus.....	3,455,827.86
Earned surplus.....	280,093.29
Total liabilities.....	64,481,823.26

SCHEDULE K-2.—Consolidating balance sheet, December 31, 1930, supporting Form 1120—Calendar year 1930

	Corporation Securities Co. of Chicago	Corporation Syndicates (Inc.)	Intercom- pany elimi- nations	Consolidated
ASSETS				
Cash.....	\$7,233,875.32	\$49,999.00	-----	\$7,283,874.32
Notes and accounts receivable.....	1,607,706.12	-----	\$40,000.00	1,567,706.12
Investment securities.....	140,686,328.70	-----	10,000.00	140,686,328.70
Unamortized debt discount and expense.....	1,134,860.99	-----	-----	1,134,860.99
Prepayments.....	27,863.80	-----	-----	27,863.80
Furniture and fixtures.....	463.82	-----	-----	463.82
Total assets.....	150,701,098.75	49,999.00	150,000.00	150,701,097.75
LIABILITIES				
Notes payable.....	15,881,745.00	-----	-----	15,881,745.00
Accounts payable.....	29,228.50	40,000.00	140,000.00	29,228.50
Interest accrued.....	502,874.90	-----	-----	502,874.90
Dividends accrued.....	374,240.50	-----	-----	374,240.50
Purchase contract obligations.....	7,992,280.00	-----	-----	7,992,280.00
Serial gold notes payable.....	30,000,000.00	-----	-----	30,000,000.00
Unearned commission on loan.....	41,709.06	-----	-----	41,709.06
Reserve for contingencies.....	750,000.00	-----	-----	750,000.00
Capital stock:				
Preferred stock.....	37,424,050.00	-----	-----	37,424,050.00
Common stock.....	21,412,340.02	10,000.00	10,000.00	21,412,340.02
Common stock, scrip, unconverted.....	69,922.05	-----	-----	69,922.05
Capital surplus.....	31,730,104.86	-----	-----	31,730,104.86
Earned surplus.....	4,492,602.86	1.00	-----	4,492,602.86
Total liabilities.....	150,701,098.75	49,999.00	150,000.00	150,701,097.75

**SCHEDULE L.—Reconciliation of net income and analysis of changes in surplus,
supporting Form 1120—Calendar year 1930**

	Corporation Securities Co. of Chicago	Corpora- tion Syndi- cates (Inc.)	Intercom- pany elim- inations	Consolidated
Net taxable income (schedule A).....	¹ \$1,090,237.65	² \$301,451.36	-----	¹ \$788,786.29
Add:				
Cash dividends on stocks of domestic corpora- tions.....	1,881,931.45	-----	¹ 301,452.36	1,680,479.09
Cash dividends on company's own stock held in treasury.....	19,400.00	-----	-----	19,400.00
Stock dividends received.....	5,180,457.95	-----	-----	6,180,457.95
Profit on company's own stock reacquired and sold.....	136,586.71	-----	-----	136,586.71
Cost assignable to stock subscriptions rights sold.....	2,214,780.03	-----	-----	2,214,780.03
Adjustment of cost of 1 share Chicago, North Shore & Milwaukee R. R. Co. 6 per cent preferred sold by reason of write-down to market value thereof as at Nov. 15, 1929.....	16.00	-----	-----	16.00
Expenditure applicable to transaction in which subsidiary company—Corporation Syndicates (Inc.)—is reporting a profit of \$299,748.50.....	250,000.00	-----	-----	250,000.00
Total additions.....	9,683,172.14	-----	301,452.36	9,381,719.78
	8,592,934.49	¹ 301,451.36	¹ 301,452.36	8,592,933.49
Deduct:				
Donations.....	1,949.86	-----	-----	1,949.86
Stock expense not deducted.....	26,199.25	-----	-----	26,199.25
Cost of alterations to office, etc., less amorti- zation, 1930.....	2,993.63	-----	-----	2,993.63
Commissions not deducted.....	82,163.75	-----	-----	82,163.76
Adjustment of book cost of stocks sold for por- tion of cost assigned to subscription rights.....	360,501.72	-----	-----	360,501.72
Adjustment of book cost of stocks sold for por- tion of cost assigned to stock received as dividend.....	125,480.84	-----	-----	125,480.84
Total deductions.....	599,288.95	-----	-----	599,288.95
Net income as shown by books of account.....	7,993,645.54	301,451.36	301,452.36	7,993,644.54
Surplus, beginning of period.....	280,093.29	-----	-----	280,093.29
Credits to surplus:				
Adjustment of cost of stocks acquired in reor- ganization in 1929.....	13,158.51	-----	-----	13,158.51
Balance.....	8,286,897.34	-----	-----	8,286,896.34
Debits to surplus:				
Dividends paid—				
Cash.....	2,122,967.01	301,452.36	¹ 301,452.36	2,122,967.01
Stock.....	921,326.47	-----	-----	921,326.47
Appropriation of surplus to reserve for con- tingencies.....	750,000.00	-----	-----	750,000.00
Total debits.....	3,794,293.48	¹ 301,452.36	¹ 301,452.36	3,794,293.48
Surplus end of period.....	4,492,603.86	¹ 1.00	-----	4,492,602.86

¹ Loss.² Profit.

**SCHEDULE L-1.—Analysis of changes in capital surplus supporting Form 1120—
Calendar year 1930**

Capital surplus, Dec. 31, 1929..... \$3,455,827.86

Add:

Restatement, upon sale of company's own
stock reacquired, of write-down to mar-
ket value thereof on Nov. 15, 1929 (the
write-down of cost was charged to capital
surplus in 1929)..... \$383,470.00

Consideration received in sale of common
stock in excess of stated value of \$5 per
share..... 26,561,932.00

Add—Continued.

Surplus arising from conversion of preferred
capital stock and units into common
stock.....

\$1, 578, 865. 00

Total additions.....\$28, 524, 277. 00

31, 980, 104. 86

Deduct: Payment to Utility Securities Co. to apply against loss to
members of syndicate and cost of protecting market, in con-
nection with the issue and sale of 1,250,000 shares of common
stock of Corporation Securities Co. of Chicago.....

250, 000. 00

Capital surplus, Dec. 31, 1930.....31, 730, 104. 86

AFFILIATIONS SCHEDULE

(To be filed with each consolidated return (see article 12(c) of Regulations 75))

Taxable year ended December 31, 1930.

Parent corporation: Corporation Securities Co. of Chicago.

Address: 72 West Adams Street, Chicago, Ill.

The information required below must be submitted for all corporations which are affiliated. This includes all corporations in which at least 95 per cent of the stock is owned directly by the parent corporation, and in which an aggregate of at least 95 per cent of the stock is owned directly by the parent corporation and/or one or more of the other corporations the income of which is included in the consolidated returns. See section 141 of the revenue act of 1928, and articles 711 to 715 of regulations 74 and articles 1 to 16 of regulations 75.

No.	Name and address of corporation	Date of incorporation	State or country in which incorporated	Capital stock outstanding at beginning of year ¹	Stock holdings at beginning of year
1	Parent corporation: Corporation Securities Co. of Chicago.	Oct. 5, 1929	Illinois..	3,400,001½ shares having no par value.	(¹)
2	Subsidiary corporation: Corporation Syndicates (Inc.), 72 West Adams Street, Chicago, Ill.	Mar. 12, 1930	...do....	None.....	None.

¹ All classes of stock outstanding must be shown except nonvoting stock which is both limited and preferred as to dividends. Information relative to the nature of the limitation, and preference as to dividends, should be furnished below regarding all classes of nonvoting stock not shown. If any corporation was not in existence at beginning of the year, show stock outstanding at date issued.

² It is not necessary to show the number of shares and stockholders of parent corporation.

Changes in stock holdings during the year

Corporation		Stock-holders (corporation No.) ¹	Shares held at beginning of year	Per cent	Changes			Shares held at end of year	Per cent
No. ¹	Name				Date	Shares acquired	Shares disposed of		
2	Corporation Syndicates (Inc.).	1	None.	None.	March, 1930	2, 000	None.	2, 000	100

¹ The number used must agree with the corporation number above.

In case additional stock was issued, or if any stock was retired during the year, dates and amounts of such transactions should be shown.

If the equitable owners of any capital stock shown above were other than the holders of record, full particulars must be given.

Remarks: Corporation Syndicates (Inc.) was organized on March 12, 1930, with an authorized capital stock of 500,000 shares having no par value. Corporation Securities Co. of Chicago acquired 2,000 shares at the inception of business of Corporation Syndicates (Inc.), which represents the entire outstanding capital stock.

(The printed pamphlet entitled "Report of Insull Utility Investments (Inc.), for the fiscal year ended December 31, 1930," is marked "Exhibit 6," and will here be printed as a part of the record:)

EXHIBIT 6

REPORT OF INSULL UTILITY INVESTMENTS (INC.), FOR THE FISCAL YEAR ENDED
DECEMBER 31, 1930CHICAGO, ILL., *January 28, 1931.*

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

The stockholders of Insull Utility Investments (Inc.) are hereby notified that the regular annual meeting of the stockholders of said company will be held, pursuant to the by-laws, at civic theater, southwest corner of Wacker Drive and Washington Street, in the city of Chicago, Ill., on Monday, the 16th day of February, 1931, at 11 o'clock a. m., for the purpose of electing a board of directors and of transacting such other business as may properly be brought before such meeting.

All stockholders are requested to be present in person or by proxy. Stockholders who do not expect to be present in person are requested to sign the inclosed proxy and return it to the company in the envelope inclosed for the purpose.

JOHN F. O'KEEFE, *Secretary.*

The transfer books of the company will be closed at the close of business on Wednesday, January 28, and will be reopened at the opening of business on Tuesday, February 17, 1931.

Board of directors: Walter S. Brewster, Britton I. Budd, Edward J. Doyle, Louis A. Ferguson, John F. Gilchrist, John H. Gulick, Martin J. Insull, Samuel Insull, Samuel Insull, jr., P. J. McEnroe, George F. Mitchell, Stuyvesant Peabody, Marshall E. Sampsell, H. L. Stuart, Waldo F. Tobey.

Executive committee: Walter S. Brewster, Martin J. Insull, Edward J. Doyle, Samuel Insull, H. L. Stuart, John H. Gulick, Samuel Insull, jr.

Finance committee: Walter S. Brewster, Martin J. Insull, Samuel Insull, Samuel Insull, jr., H. L. Stuart.

Officers: Samuel Insull, chairman; Samuel Insull, jr., president; Martin J. Insull, vice president; P. J. McEnroe, vice president; John F. O'Keefe, secretary and treasurer; W. J. McElligott, assistant secretary; C. W. Daniels, assistant treasurer; W. R. Irwin, auditor.

Stock transfer agents: Utilities Stock Transfer Co., Chicago, Ill.; Bankers Trust Co., New York City, N. Y.

Registrars of stock: Central Trust Co. of Illinois, Chicago, Ill.; City Bank Farmers Trust Co., New York City, N. Y.

To the stockholders of Insull Utility Investments (Inc.):

By the direction of the board of directors, I submit to you herewith a report of the company's operations for the fiscal year ended December 31, 1930.

SAMUEL INSULL, *Chairman.**To the stockholders of Insull Utility Investments (Inc.):*

The board of directors submits this annual report for the fiscal year ended December 31, 1930.

Following is a summary of the consolidated income and surplus account of the company and its wholly owned subsidiary, Insull, Son & Co. (Inc.), for the year ended December 31, 1930:

Income.....	\$16, 502, 821. 70
Expenses:	
Administrative and general expenses.....	\$992, 270. 88
Provision for income taxes.....	56, 746. 47
	<hr/>
	1, 049, 017. 35
Net income before interest charges.....	<hr/>
	15, 453, 804. 35

Interest charges:

Interest on 5 per cent gold debentures, series A.....	\$123, 200. 00	
Interest on 6 per cent gold debentures, series B.....	3, 168, 228. 29	
Other interest charges.....	1, 819, 303. 82	
		<u>\$5, 110, 732. 11</u>

Net income for the year..... 10, 343, 072. 24

Cash dividends paid and accrued:

Prior preferred stock.....	169, 057. 43	
Preferred stock, second series.....	2, 592, 481. 50	
Preferred stock, first series.....	120, 000. 00	
		<u>2, 881, 538. 93</u>

7, 461, 533. 31

1930 stock dividend on common stock at the rate of 6 shares for
every 100 shares per annum:

161,072 119/200 shares, at \$20 per share..... 3, 221, 451. 90

Surplus income for the year..... 4, 240, 081. 41
Appropriated to reserve for contingencies..... 1, 000, 000. 00

3, 240, 081. 41

Earned surplus, Dec. 31, 1929.....\$6, 782, 094. 18

1929 stock dividend on common stock—being additional to the amount already provided for out of the 1929 income figured on the shares outstanding at Dec. 31, 1929, due to and being upon the common stock issued subsequent to that date on which this dividend declaration also applies—11,503 12/200 shares, at \$20 per share.....

230, 061. 20

6, 552, 032. 98

Earned surplus, Dec. 31, 1930..... 9, 792, 114. 39

The net income for the year 1930 was \$10,343,072.24. The dividend requirements on the company's preferred stocks amounted to \$2,881,538.93. The balance of income available for common stock was therefore \$7,461,533.31 which is equivalent to \$2.76 per share on 2,705,168 shares of common stock, the average number of shares of common stock outstanding during the year.

It will be noted that \$1,000,000 was appropriated out of surplus earnings to the reserve for contingencies. This reserve (formerly called reserve for investment securities) now amounts to \$2,000,000.

Pending permanent financing, the company made arrangements for the temporary financing covered by notes payable of \$58,476,218.92 secured by pledged securities having a cost of \$110,448,282.99 as shown by the balance sheet.

In the accounts of the company for the year stock dividends received have been taken at their market value on the day received, and stock rights received, if sold, have been taken at the amount realized and, if exercised or held to be exercised, at no value. On this basis the securities held in the investment account of the company on December 31, 1930, had an aggregate cost of \$253,726.626.99 and an aggregate market value of \$188,315,665.17. On February 11, 1931, the same securities had an aggregate market value of \$236,957,355.92.

Approximately 92.7 per cent of the securities held by the company are listed on the Chicago or New York Stock Exchange or on the New York Curb, and 90.74 per cent of them are securities of the following companies: Central & South West Utilities Co., Commonwealth Edison Co., Corporation Securities Co. of Chicago, Middle West Utilities Co., Midland United Co. and its subsidiaries, the Peoples Gas Light & Coke Co., and Public Service Co. of Northern Illinois.

The company was organized for the specific purpose of acquiring and holding a substantial amount of securities of the Commonwealth Edison Co., Midland United Co., the Peoples Gas Light & Coke Co., Public Service Co. of Northern Illinois, and Middle West Utilities Co. and subsidiaries, all of which are under the same general management as the company. Afterwards, Corporation

Securities Co. of Chicago was formed for practically the same purpose. The two companies, through management, ownership each in the other, and similarity of investment portfolios, are closely allied, and in their investment policy generally act together.

This company and Corporation Securities Co. of Chicago, together with Public Service Trust and Second Utilities Syndicate (Inc.), (the latter two being owned jointly by this company and Corporation Securities Co. of Chicago) hold 17.19 per cent of the outstanding stock of the Commonwealth Edison Co., 29.21 per cent of the outstanding stock of the Middle West Utilities Co., 28.78 per cent of the outstanding stock of the Peoples Gas Light & Coke Co., and 11.45 per cent of the outstanding stock of the Public Service Co. of Northern Illinois. As most of these corporations, the securities of which are so held, have a very substantial interest in North American Light & Power Co. it was considered advisable for this company to add the securities of North American Light & Power Co. to its portfolio.

The holdings in the corporations above mentioned give this company and the Corporation Securities Co. of Chicago an important position in the ownership of these corporations and an influence which will naturally be used toward insuring continuity of the policies and management that have made them successful. This position is an intangible asset of great value to this company and Corporation Securities Co. of Chicago and is in conformity with the objects for which the companies were formed. The policy of the two companies will be to strengthen this position from time to time whenever practicable.

On January 20, 1930, the company issued and sold \$60,000,000 in principal amount of its 6 per cent gold debentures, series B. Each of these debentures was in the denomination of \$1,000, and each carried two common stock purchase warrants, one entitling the holder of the debenture to purchase 10 shares of common stock of the company during the year 1930, only at \$65 per share, and the other entitling the holder of the debenture to receive, upon the surrender of the debenture at any time prior to January 1, 1935, common stock of the company as follows: 15,384 shares if the debenture is surrendered during the year 1930, 13,793 shares if surrendered during the year 1931, 11,428 shares if surrendered during the year 1932, 9,524 shares if surrendered during the year 1933, and 8 shares if surrendered during the year 1934. The last-mentioned warrant also entitles the holder of the debenture to purchase ten shares of common stock of the company, at the time of the surrender of the debenture, at the following prices: \$62.50 per share during 1931, \$77.50 per share during 1932, \$95 per share during 1933 and \$115 per share during 1934.

As a result of the exercise of these warrants, 135,952 shares of common stock of the company were issued during the year, 1930: 62,970 shares to satisfy the warrants exercisable only during 1930, and 72,982 shares to satisfy the warrants exercisable at any time prior to January 1, 1935. Through the exercise of warrants \$4,744,000 in principal amount of the debentures were retired and cancelled.

The discount and expense incurred in the sale of these debentures, amounting to \$3,778,512.98, were entirely written off out of the company's paid in surplus as may be seen by a reference to the balance sheet attached to this report.

There were mentioned in the last annual report two matters which have to do with the company's 1930 operations, namely the modification of the stock purchase warrants attached to the company's preferred stock, second series, in order to conform more closely to changed market conditions, and the increase in the authorized common stock of the company to 6,000,000 shares. No further comment on either of these matters seems necessary.

The board of directors on July 28, 1930, directed that 600,000 additional shares of common stock be issued and offered pro rata to stockholders. The shares were offered to stockholders of record August 30, 1930, at \$50 a share, which was substantially below the market price at that time, on the basis of one share of new common stock for each five shares of common stock held and one share of new common stock for each 11 shares of preferred stock held. Stockholders were granted the right to purchase the new stock for cash or upon the 10-payment plan, first payment being due, in full or in part, on or before September 15, 1930, and final payment, under the 10-payment plan, not later than June 15, 1931. All of the 600,000 shares so offered were subscribed for.

The board of directors during the year declared, out of the earnings of the year, on the common stock of the company four quarterly dividends of 1½ per cent payable in common stock. Three of these were paid in 1930: On April 15, July 15, and October 15, respectively, and the fourth was paid since the close of the year on January 15, 1931. In addition, there was paid during the year in

common stock the 6 per cent dividend declared on the common stock of the company out of the earnings of 1929 and payable quarterly in 1930. The first installment of the 1929 dividend was paid on January 15, 1930. The other three installments were paid concurrently with the first, second, and third quarterly installments of the 1930 dividend, and this accounts for the fact that the common stockholders received on April 15, July 15, and October 15 dividends in common stock aggregating 3 per cent of their holdings on the record date.

Early in the year, the company acquired all of the outstanding participation certificates of Public Service Trust in exchange for 51,084 shares of common stock of the company, and later during the year, it acquired all of the outstanding stock of Second Utilities Syndicate (Inc.), in exchange for 27,400 shares of common stock. As a result of these acquisitions (which have been valued in the appended list of investments at their liquidating value), the company acquired a substantial additional amount of the securities which constitute the principal items of its portfolio. Subsequently, a 25 per cent interest in Public Service Trust and Second Utilities Syndicate (Inc.) was sold to Corporation Securities Co. of Chicago. The present policy, so far as practicable, is to divide new investments as between this company and Corporation Securities Co. of Chicago in the ratio of 60 to 40.

Dividends received by the company from Public Service Trust during the year amounted to \$347,765.62, and dividends received from Second Utilities Syndicate (Inc.) amounted to \$123,680.90. Both of these items are reflected in the income statement appended hereto.

At the close of the year there were outstanding 60,000 shares of \$5.50 for preferred stock, 40,000 shares of preferred stock, first series, 450,000 shares of preferred stock, second series, and 2,984,438 shares of common stock. In addition to the outstanding stock there were at the end of the year 11,973 shares of common stock held in the treasury of the company representing fractional scrip then outstanding. Following is a summary of the purposes for which common stock was issued during the year:

	Shares
Issued in payment of dividends.....	276, 615
Issued in connection with acquisition of Public Service Trust.....	51, 084
Issued in connection with acquisition of Second Utilities Syndicate (Inc.).....	27, 400
Issued in connection with the acquisition of securities from the Peoples Gas Light & Coke Co. employes' investment fund.....	43, 583
Issued in connection with other acquisitions of securities.....	8, 555
Issued on account of exercise of warrants attached to 6 per cent gold debentures, series B.....	135, 952
Issued on account of exercise of warrants attached to \$5.50 prior preferred stock.....	6
Issued in connection with subscriptions of stockholders.....	148, 852

Total shares of common stock issued during the year..... 692, 047

The company does not hold any of its own securities in its treasury, except the common stock represented by fractional scrip outstanding.

On January 1, 1930, the company had a total of 35,323 stockholders, after eliminating duplications where stockholders held more than one class of stock. On December 31, 1930, there were 43,737 stockholders after similar elimination.

Appended is a certificate of audit of the company's books and accounts, a statement of income account for the year, a balance sheet and a schedule of securities owned, showing cost and market value on December 31, 1930, and market value on February 11, 1931, submitted after an examination by Arthur Young & Co., certified public accountants.

By order of the board,

SAMUEL INSULL, Jr., *President.*

FEBRUARY 14, 1931.

ARTHUR YOUNG & Co.,
Chicago, February 13, 1931.

TO THE CHAIRMAN AND BOARD OF DIRECTORS,
Insull Utility Investments (Inc.), Chicago.

DEAR SIR: We have examined the accounts of Insull Utility Investments (Inc.) and of its wholly owned subsidiary, Insull, Son & Co. (Inc.), for the year ended December 31, 1930, and certify that the accompanying consolidated bal-

ance sheet, income and surplus account are in accordance therewith and, in our opinion, are drawn up to correctly exhibit the financial position of the company as of December 31, 1930 and the result of its operations for the year ended that date. All securities held by the company were produced for our inspection or otherwise accounted for.

The list of investment securities appended hereto shows the cost value, market value as of December 31, 1930, and market value as of February 11, 1931.

Yours faithfully,

ARTHUR YOUNG & Co.,
Certified Public Accountants.

Consolidated income and surplus account for the year ended December 31, 1930

Income:	
Cash dividends.....	\$4, 326, 417. 78
Stock dividends, taken in at market value at date of receipt.....	5, 051, 832. 04
Interest on bonds, notes, etc.....	917, 440. 43
Profit on sale of securities.....	1, 970, 063. 86
Profit from syndicate participations.....	550, 012. 54
Sale of rights.....	3, 681, 078. 17
Miscellaneous income.....	5, 976. 88
	<u>16, 502, 821. 70</u>
Expenses:	
Administrative and general expenses.....	\$992, 270. 88
Provision for income taxes.....	56, 746. 47
	<u>1, 049, 017. 35</u>
Net income before interest charges.....	15, 453, 804. 35
Interest charges:	
Interest on 5 per cent gold debentures, series A.....	123, 200. 00
Interest on 6 per cent gold debentures, series B.....	3, 168, 228. 29
Other interest charges.....	1, 819, 303. 82
	<u>5, 110, 732. 11</u>
Net income for the year.....	10, 343, 072. 24
Cash dividends paid and accrued:	
Prior preferred stock.....	169, 057. 43
Preferred stock, second series.....	2, 592, 481. 50
Preferred stock, first series.....	120, 000. 00
	<u>2, 881, 538. 93</u>
	7, 461, 533. 31
1930 stock dividend on common stock at the rate of 6 shares for every 100 shares per annum—	
161,072-119/200 shares at \$20 per share.....	3, 221, 451. 90
Surplus income for the year.....	4, 240, 081. 41
Appropriated to reserve for contingencies.....	1, 000, 000. 00
	<u>3, 240, 081. 41</u>
Earned surplus, December 31, 1929.....	\$6, 782, 094. 18
1929 stock dividend on common stock—being additional to the amount already provided for out of the 1929 income figured on the shares outstanding at December 31, 1929, due to and being upon the common stock issued subsequent to that date on which this dividend declaration also applies—11,503-12/200 shares at \$20 per share.....	
	<u>230, 061. 20</u>
	6, 552, 032. 98
Earned surplus, December 31, 1930.....	<u><u>9, 792, 114. 39</u></u>

Consolidated balance sheet—December 31, 1930

ASSETS

Cash	\$6, 003, 591. 12
Notes and accounts receivable	10, 376, 577. 67
Due from subscribers to common stock	12, 778, 510. 45
Interest and dividends receivable	893, 686. 72
Organization expense, etc.	1, 227, 304. 47
Investment securities—at cost:	
Pledged (under temporary loans)	\$110, 448, 282. 99
Unpledged	135, 085, 949. 30
Under contract of purchase	8, 192, 394. 70
	<hr/> 253, 726, 626. 99
The aggregate market value of the above investment securities was:	
As of Dec. 31, 1930	188, 315, 665. 17
As of Feb. 11, 1931	236, 957, 335. 92
	<hr/> <hr/> 285, 006, 297. 42

LIABILITIES

Notes payable	\$58, 476, 218. 92
Accounts payable, including interest and taxes accrued	5, 672, 985. 15
Dividends accrued	277, 512. 28
Liability under contract of purchase (due 1931-1934)	3, 941, 166. 25
Funded debt:	
5 per cent gold debentures, series A—due Jan. 1, 1949	\$2, 469, 000. 00
6 per cent gold debentures, series B—due Jan. 1, 1940	55, 256, 000. 00
	<hr/> 57, 725, 000. 00
Common stock dividend declared and payable Jan. 15, 1931, in common stock	895, 026. 30
Common stock scrip, unconverted—11,972-786/1,000 shares	239, 649. 70
Capital stock:	
Prior preferred, without par value—	
Authorized—250,000 shares.	
Issued—first series \$5.50 cumulative—60,000 shares	6, 000, 000. 00
Preferred, without par value:	
Authorized—500,000 shares.	
Issued—	
First series, 40,000 shares	4, 000, 000. 00
Entitled to cumulative dividends—\$4, 1931; \$5, 1932; \$6, 1933, and thereafter.	
Second series \$6 cumulative—450,000 shares	36, 000, 000. 00
Common, without par value—	Shares
Authorized	6, 000, 000
Reserved for sale and conversion to holders of:	
Preferred stock, second series	675, 000
6 per cent debentures, series B	1, 314, 706
Reserved for stock dividend declared	44, 752
Reserved for common stock subscribed but not issued	451, 148
	<hr/> 2, 485, 606
	<hr/> 3, 514, 394

Common, without par value—Con.	Shares		
Issued	2, 996, 411	\$74, 697, 387. 11	
Less: Held in treasury for exchange of scrip	11, 973	239, 649. 70	
	2, 984, 438	74, 457, 737. 41	
Subscribed but not issued	451, 148	22, 557, 400. 00	
	3, 435, 586		\$97, 015, 137. 41
Reserve for contingencies			2, 000, 000. 00
Surplus:			
Earned surplus		9, 792, 114. 39	
Paid in surplus	\$6, 750, 000. 00		
Less: Discount and ex- pense on series B debentures written off	3, 778, 512. 98	2, 971, 487. 02	
			12, 763, 601. 41
			285, 006, 297. 42

Investment securities December 31, 1930

Shares		Cost	Market value Dec. 31, 1930	Market value Feb. 11, 1931
486, 838	Central & South West Utilities Co. common stock (Middle West Utilities Co. subsidiary)	\$8, 277, 764. 91	\$8, 276, 246. 00	\$11, 805, 821. 50
179, 450	Commonwealth Edison Co. capital stock	59, 399, 931. 89	39, 658, 450. 00	45, 131, 675. 00
365, 255	Corporation Securities Co. of Chicago units for \$3 optional preferred stock, 1929 series, and common stock	25, 912, 244. 96	18, 262, 750. 00	21, 915, 300. 00
263, 532	Corporation Securities Co. of Chicago com- mon stock	5, 825, 363. 94	3, 952, 988. 55	5, 665, 950. 26
2, 619, 000	Middle West Utilities Co. common stock	57, 685, 813. 75	45, 177, 751. 04	65, 147, 625. 00
47, 685	Middle West Utilities Co. \$6 convertible pre- ferred stock	4, 774, 021. 45	4, 649, 287. 50	4, 768, 500. 00
14, 820	Midland United Co. \$3 preferred stock	683, 391. 25	614, 980. 00	615, 030. 00
132, 263	Midland United Co. common stock	3, 218, 673. 35	2, 479, 951. 78	3, 042, 072. 00
6, 078	Midland Utilities Co. 7 per cent prior lien stock	664, 339. 19	583, 488. 00	591, 085. 50
1, 603	Midland Utilities Co. 7 per cent preferred stock, class A	161, 582. 30	149, 479. 75	150, 481. 63
11, 271	Midland Utilities Co. 6 per cent prior lien stock	1, 100, 489. 37	991, 848. 00	946, 764. 00
4, 841	Midland Utilities Co. 6 per cent preferred stock, class A	460, 993. 36	396, 962. 00	388, 490. 25
34, 940	North American Light & Power Co. common stock	2, 135, 734. 00	2, 201, 228. 08	2, 236, 170. 24
144, 135	The Peoples Gas Light & Coke Co. capital stock	42, 740, 863. 99	29, 115, 270. 00	35, 889, 615. 00
2, 298	Public Service Co. of Northern Illinois 6 per cent preferred stock	282, 549. 21	282, 654. 00	301, 612. 50
1, 820	Public Service Co. of Northern Illinois 7 per cent preferred stock	239, 513. 98	225, 680. 00	260, 260. 00
58, 195	Public Service Co. of Northern Illinois com- mon stock	16, 416, 659. 18	11, 668, 097. 50	14, 821, 007. 50
15, 000	Public Service Trust participation certificates \$50 par value	3, 145, 837. 40	1 2, 076, 750. 00	1 3, 448, 500. 00
10, 100	Seaboard Public Service Co. \$3.25 convertible preferred stock (Middle West Utilities Co. subsidiary)	444, 400. 00	478, 487. 50	474, 700. 00
7, 500	Second Utilities Syndicate, incorporated, cap- ital stock	1, 630, 300. 00	1 1, 119, 975. 00	1 1, 567, 200. 00
2, 096	Southwestern Light & Power Co. \$6 preferred stock (Middle West Utilities Co. subsidiary)	189, 941. 50	194, 928. 00	194, 142. 00
	Miscellaneous investments	18, 336, 218. 01	15, 758, 412. 47	17, 595, 333. 54
		253, 726, 626. 99	188, 315, 665. 17	236, 957, 335. 92

¹ Market value based on liquidating value.

Mr. PECORA. Now, Mr. Insull, I show you a photostatic reproduction of what purports to be corporation income tax return for calendar year 1930 of Insull Utility Investments (Inc.), for the calendar year 1930, obtained from the files of the company in its Chicago office. Will you look at it and tell us if that shows net

earnings for that company for the year 1930 of something like six and one-half million dollars?

Mr. INSULL. This report, as near as I can make out—and I don't know for sure but I presume this means a loss. It has something written in here which seems to be the word "red" and in that case it would represent a loss.

Mr. PECORA. What is the figure you are referring to?

Mr. INSULL. It is \$6,493,377.53.

Mr. PECORA. As a loss?

Mr. INSULL. I assume it is a loss. Yes; it says here "red" with an arrow pointing to those figures.

Mr. PECORA. Mr. Chairman, I ask that that may be spread in full on the minutes of the committee.

The CHAIRMAN. There being no objection it will be printed in the record.

(The photostatic copy of the corporation income tax return for the calendar year 1930 of Insull Utility Investments (Inc.) was marked "Exhibit 7," and will here be printed as a part of this record:)

EXHIBIT 7

CORPORATION INCOME TAX RETURN FOR CALENDAR YEAR 1930

Insull Utility Investments (Inc.), 72 West Adams Street, Chicago, Ill.

Date of incorporation, December, 1928.

Under the laws of what State or country: Illinois.

Kind of business: Investments.

Is this a consolidated return of two or more corporations? Yes.

If so, how many? Four.

GROSS INCOME

5. Interest on bank deposits, notes, mortgages, and corporation bonds-----	\$939, 128. 86
8. Profit from sale of real estate, stocks, bonds, and other capital assets (from Schedule B)-----	1, 735, 044. 82
9. Dividends on stock of domestic corporations-----	4, 158, 032. 40
10. Other income (including dividends received on stock of foreign corporations). (State nature of income):	
(a) Dividends on stocks of foreign corporations-----	2, 783. 15
(b) Profit from syndicate participations-----	145, 504. 22
(c) Syndicate managers' fee-----	347, 611. 00
Miscellaneous-----	5, 198. 27
Total income in Items 3 to 10-----	<u>3, 863, 213. 08</u>

DEDUCTIONS

12. Compensation of officers (from Schedule C)-----	46, 734. 92
13. Rent on business property-----	21, 935. 27
15. Interest-----	5, 155, 305. 05
16. Taxes (from Schedule E)-----	60, 722. 80
19. Dividends (from Schedule H)-----	4, 158, 032. 40
20. Depreciation (resulting from exhaustion, wear and tear, or obsolescence) (from Schedule I)-----	1, 098. 58
22. Other deductions not reported above. (Explain below, or on separate sheet): (c) Schedule attached-----	912, 761. 59
23. Total deductions in items 12 to 22-----	<u>10, 356, 590. 61</u>
24. Net income (item 11 minus item 23)-----	<u>6, 493, 377. 53</u>

COMPUTATION OF TAX

25. Net income (item 24 above)-----	¹ 6, 493, 377. 53
33. Balance of tax (item 30 minus items 31 and 32)-----	None.

¹ Loss.

SCHEDULE L—RECONCILIATION OF NET INCOME AND ANALYSIS OF CHANGES IN SURPLUS. SCHEDULE ATTACHED

Kind of business: (a) General class H. (b) Investment trust.

Affiliations with other corporations: 4. Is this a consolidated return of two or more corporations? Yes.

5. Did the corporation file a consolidated return for the preceding taxable year? Yes.

Predecessor business: 6. Did the corporation file a return under the same name for the preceding taxable year? Yes. Was the corporation in any way an out-growth, result, continuation, or reorganization of a business or businesses in existence during this or any prior year since December 31, 1917? No.

Basis of return: 7. Is this return made on the basis of actual receipts and disbursements? No. If not, describe fully what other basis or method was used in computing net income: Accrual basis.

Valuation of inventories: 8. State whether the inventories at the beginning and end of the taxable year were valued at cost, or cost or market, whichever is lower. If other basis was used, describe fully, state why used and the date inventory was last reconciled with stock: Cost.

List of attached schedules: 9. Enter below a list of all schedules accompanying this return, giving for each a brief title and the schedule number. The name and address of the corporation should be placed on each separate schedule accompanying the return.

Schedule A, consolidating income statement.

Schedule B, profit and loss on sale of securities.

Schedule C, compensation of officers.

Schedule 22c, other deductions.

Schedule K, balance sheets.

Schedule L, reconciliation of net income and analysis of changes in surplus.

Form 851, affiliations schedule.

Forms 1122, information returns.

The corporation's books are in care of P. J. McEnroe, located at 72 West Adams Street, Chicago, Ill.

TREASURY DEPARTMENT,
INTERNAL REVENUE SERVICE,
Chicago, Ill., June 13, 1931.

INSULL UTILITY INVESTMENTS (Inc.),
72 West Adams Street,
Chicago, Ill.:

Reference is made to your letter of June 12, 1931, requesting, for the reason therein stated, a further extension of time within which to file your income-tax return for the period ending December 31, 1930.

A further extension of time to September 15, 1931, is hereby granted within which the above-mentioned return may be filed, provided the conditions set forth in previous extensions were complied with.

Any deficiency in the installments will bear interest at the rate of one-half of 1 per cent a month from the original due date until the date of payment.

A copy of this letter must be attached to the return when it is filed, as authority for the extension herein granted.

DAVID BURNET, *Commissioner*.
By ROBERT E. NEELY, *Acting Collector*.

INSULL UTILITY INVESTMENTS, INC.

SCHEDULE A.—Consolidating income statement supporting Form 1120, calendar year 1930

	Insull Utility Investments (Inc.)	Insull Son & Co. (Inc.)	Second Utilities Syndicate, (Inc.), period January 1, to June 30, 1930	Public Service Trust, period Mar. 1 to June 30, 1930	Intercompany eliminations	Consolidated
Gross income:						
Interest received.....	\$742,164.81	\$183,912.74	\$197.78	\$12,853.53	-----	\$939,128.86
Profit from sale of securities (Schedule B).....	¹ 638,364.01	1,492,879.83	-----	-----	¹ \$2,589,560.64	¹ 1,735,044.82
Dividends on stocks of domestic corporations.....	4,117,901.41	305,333.33	18,197.67	¹ 16,434.08	¹ 299,834.09	4,158,032.40
Other income—						
Cash dividends on stocks of foreign corporations.....	-----	2,783.15	-----	-----	-----	2,783.15
Profit from syndicate participations.....	120,224.48	15,008.50	7,521.24	¹ 2,750.00	-----	145,504.22
Fees for services rendered.....	-----	67,975.84	-----	-----	¹ 67,975.84	-----
Syndicate manager's fee.....	-----	347,611.00	-----	-----	-----	347,611.00
Miscellaneous.....	-----	-----	-----	¹ 5,198.27	-----	5,198.27
Total gross income.....	4,341,926.69	2,415,504.39	25,916.69	¹ 37,235.88	¹ 2,957,370.57	3,863,213.08
Deductions:						
Compensation of officers (Schedule C).....	11,782.17	34,752.75	-----	¹ 200.00	-----	46,734.92
Rent.....	11,935.27	10,000.00	-----	-----	-----	21,935.27
Interest.....	4,876,997.22	243,517.78	33.78	¹ 34,756.27	-----	5,155,305.05
Taxes.....	55,878.32	4,844.48	-----	-----	-----	60,722.80
Cash dividends on stocks of domestic corporations.....	4,117,901.41	305,333.33	18,197.67	¹ 16,434.08	¹ 299,834.09	4,158,032.40
Depreciation and amortization of alternations to office.....	1,098.58	-----	-----	-----	-----	1,098.58
Other deductions (Schedule 22).....	893,335.34	85,354.74	291.83	¹ 1,755.52	¹ 67,975.84	912,761.59
Total deductions.....	9,968,928.31	683,803.08	18,523.28	¹ 53,145.87	¹ 367,809.93	10,356,590.61
Net taxable income.....	¹ 5,627,001.62	1,731,701.31	7,393.41	¹ 15,909.99	¹ 2,589,560.64	¹ 6,493,377.53

¹ Loss

SCHEDULE B.—Profit and loss from sale of securities supporting Form 1120, calendar year 1930

Description	Date acquired	Amount received	Cost	Profit or loss
Insull Utility Investments (Inc.):				
Corporation Securities Co. of Chicago, stocks.....	1930	\$330,367.50	\$332,020.05	¹ \$1,652.55
Metropolitan Gas & Electric Co., preferred stock.....	1929	7,035.00	6,030.00	1,005.00
Union Gas & Electric Co., preferred stock.....	1929	5,250.00	4,500.00	750.00
General Realty & Utilities Corporation, common stock.....	1929	36,917.61	11,790.00	25,127.61
American Public Service Co., preferred stock.....	1929	58,065.00	59,241.00	¹ 1,176.00
Middle West Utilities Co.—				
Common stock.....	1929-30	443,193.00	298,473.40	144,719.60
Preferred stocks.....	1929-30	336,018.25	347,869.00	¹ 11,850.75
Peoples Gas, Light & Coke Co., capital stock.....	1929	549,200.00	435,272.68	113,927.32
Commonwealth Edison Co., capital stock.....	1929	599,200.00	437,212.58	161,987.42
Cities Service Co., debentures.....	1930	975,000.00	1,000,000.00	¹ 25,000.00
Commonwealth Edison Co., stock subscription rights.....	1930	2,252,438.87	2,942,078.87	¹ 689,639.70
Peoples Gas, Light & Coke Co., stock subscription rights.....	1930	505,479.25	699,636.16	¹ 194,156.91
Public Service Co. of Northern Illinois, stock subscription rights.....	1930	898,988.00	1,061,611.25	¹ 162,623.25
Total		6,997,162.48	7,635,734.69	¹ 638,582.21
Adjustment of cost of stocks bought for others taken up as profit.....				218.20
Total to Schedule A				¹ 638,364.01
Insull Son & Co. (Inc.):				
Insull Utility Investments (Inc.), common stock sold to Insull Utility Investments (Inc.) (eliminated as an intercompany transaction).....	1929-30	13,290,417.49	10,700,847.10	2,589,670.39
Insull Utility Investments (Inc.), preferred stock sold to Insull Utility Investments (Inc.) (eliminated as an intercompany transaction).....	1929-30	305,952.32	305,962.07	¹ 9.76
Net loss on sale of Insull Utility Investments (Inc.), stocks and miscellaneous securities, to others (particulars shown by records of company).....				¹ 1,096,680.81
Total (Schedule A)				1,492,879.83

¹ Loss.

SCHEDULE C.—Compensation of officers, supporting Form 1120, calendar year 1930

Name and official title	Time devoted to business	Shares of stock held		Insull Utility Investments Inc.	Insull, Son & Co. (Inc.)	Public Service Trust
		Common	Preferred			
P. J. McEnroe, vice president.....	Part.....	3,285	-----	\$7,250.00	-----	-----
P. J. McEnroe, secretary and treasurer.....	do.....	None.	-----	-----	-----	\$200.00
John F. O'Keefe, secretary and treasurer.....	do.....	1,032	100	1,322.17	-----	-----
C. W. Daniels, assistant treasurer.....	do.....	215	-----	755.00	-----	-----
W. R. Irwin, auditor.....	do.....	15	-----	2,455.00	-----	-----
E. Ogden Ketting, vice president.....	do.....	None.	-----	-----	\$9,107.75	-----
P. J. Fallon, treasurer.....	do.....	None.	-----	-----	2,250.00	-----
W. E. Carney, assistant secretary.....	do.....	None.	-----	-----	500.00	-----
J. A. Ryan, vice president.....	do.....	None.	-----	-----	1,200.00	-----
J. P. Orchard, assistant treasurer.....	All.....	None.	-----	-----	1,695.00	-----
E. V. Grabam, vice president.....	Part.....	None.	-----	-----	20,000.00	-----
Total				11,782.17	34,752.75	200.00

SCHEDULE 22c.—Other deductions supporting Form 1120—calendar year 1930

	Insull Utility Investments (Inc.)	Insull Son & Co. (Inc.)	Second Utilities Syndicate (Inc.), period Jan. 1 to June 30, 1930	Public Service Trust, period Mar. 1 to June 30, 1930	Intercompany eliminations	Consolidated
Advertising.....	\$7,352.51					\$7,352.51
Directors' fees.....	1,300.00					1,300.00
Debiture expense.....	60,723.04				\$57,781.09	2,941.95
Dividend expense.....	58,758.58					58,758.58
Executive committee fees.....	280.00					280.00
Expense of stockholders' meetings.....	12,420.36					12,420.36
Financial committee fees.....	1,360.00					1,360.00
Insurance.....	2,625.84					2,625.84
Legal and auditing.....	49,376.98	\$8,484.29				57,861.27
Miscellaneous expense.....	9,131.79	2,484.98	\$291.83	\$755.52		12,664.12
Salaries.....	35,992.00	9,621.01		1,000.00		46,613.01
Office supplies.....	4,998.37					4,998.37
Periodicals and financial services.....	999.47					999.47
Printing and postage.....	14,568.53					14,568.53
Registrar and transfer fees and expenses.....	149,819.43					149,819.43
Stock expense.....	87,394.51				10,194.75	77,199.76
Revenue stamps.....	42,728.87	34,809.60				77,538.47
Telephone and telegraph.....	1,292.02	16,661.37				17,953.39
Trustees fees and expenses.....	2,461.16					2,461.16
Amortization of discount and expense on debentures.....	349,751.88					349,751.88
Traveling expense.....		2,965.03				2,965.03
New York office expense.....		6,728.46				6,728.46
London expense.....		3,600.00				3,600.00
Total.....	893,335.34	85,354.74	291.83	1,766.52	67,975.84	912,761.59

SCHEDULE K.—Balance sheets supporting Form 1120—Calendar year 1930—
Second Utilities Syndicate, (Inc.)

	January 13, 1930	June 30, 1930
ASSETS		
Cash.....		\$21,923.01
Investments:		
Stocks of domestic corporations.....	\$935,559.13	1,254,015.71
Bonds.....	51,275.00	51,275.00
Miscellaneous.....	30,000.00	
Interest and dividends receivable.....		2,041.67
Prepayments.....		116.67
Organization expense.....		3,898.13
Total assets.....	1,016,834.13	1,333,270.19
LIABILITIES		
Dividend payable.....		46,430.90
Capital stock: Common.....	1,016,834.13	1,016,834.13
Capital surplus.....		254,208.63
Earned surplus.....		15,796.63
Total liabilities.....	1,016,834.13	1,333,270.19

NOTE.—Capital surplus results from the donation to the company of 25 per cent of its capital stock.

SCHEDULE K.—Balance sheets supporting Form 1120—Calendar year 1930—Public Service Trust

	March 1, 1930	June 30, 1930
ASSETS		
Cash.....	\$204,350.36	\$64,989.39
Investments.....	3,535,153.83	4,431,737.18
Notes receivable.....	12,500.00	12,500.00
Interest and dividends receivable.....	8,988.58	16,719.52
Total assets.....	3,760,992.77	4,525,946.09
LIABILITIES		
Notes payable.....	1,971,220.00	2,015,000.00
Purchase contract obligations.....	385,280.00	130,040.00
Liability under syndicate subscription agreement.....	6,125.00	6,125.00
Dividends payable.....		143,015.62
Advances payable.....		640,091.20
Participation certificates.....	1,000,000.00	1,000,000.00
Capital surplus.....		250,000.00
Earned surplus.....	398,367.77	341,674.27
Total liabilities.....	3,760,992.77	4,525,946.09

NOTE.—Capital surplus results from the donation to Public Service Trust of 25 per cent of its participation certificates.

SCHEDULE K-1.—Consolidating balance sheet, December 31, 1929, supporting Form 1120—Calendar year 1930

	Insull Utility Investments (Inc.)	Insull, Son & Co. (Inc.)	Eliminations	Consolidated
ASSETS				
Cash.....	\$4,986,823.33	\$626,222.72		\$5,613,046.05
Notes and accounts receivable.....	330,000.00	406,928.02		735,928.02
Interest and dividends receivable.....	170,235.25			170,235.25
Organization expense.....	283,884.75			283,884.75
Furniture and fixtures.....	6,551.92			6,551.92
Prepayments.....	24,707.23			24,707.23
Reacquired securities.....	2,619,033.50	1,228,362.00		3,847,395.50
Advances for purchase of securities.....		4,400,000.00		4,400,000.00
Investment securities.....	139,229,271.67	6,325,456.44	\$204,300.70	145,759,028.81
Earnings receivable—Insull, Son & Co. (Inc.).....	1,298,397.48		1 1,093,227.40	205,170.08
Intercompany account.....	6,153,147.05		1 6,153,147.05	
Investment in stock of subsidiary company.....	1,250,000.00		1 1,250,000.00	
Total assets.....	156,352,052.18	12,985,969.18	8,292,073.76	161,045,947.61
LIABILITIES AND CAPITAL				
Notes payable.....	27,875,000.00			27,875,000.00
Accounts payable.....	18,946.04	493,377.41		512,323.45
Interest accrued.....	85,236.56	86,574.00		171,810.56
Dividends accrued.....	285,899.17			285,899.17
Reserve for Federal income taxes.....	28,000.00	113,944.02		141,944.02
Purchase contract obligations.....	16,968,630.00	4,000,000.00		20,968,630.00
5 per cent gold debentures—Series A.....	2,469,000.00			2,469,000.00
Reserve for investment securities.....	1,000,000.00			1,000,000.00
Stock dividends accrued on common stock.....	2,828,080.00			2,828,080.00
Intercompany account.....		6,153,147.05	1 6,153,147.05	
Capital stock:				
Prior preferred stock.....	6,000,000.00			6,000,000.00
Preferred stock.....	40,000,000.00			40,000,000.00
Paid-in surplus resulting from war- rants attaching to preferred stock.....	6,750,000.00			6,750,000.00
Common stock.....	45,261,166.23	5,000.00	1 5,000.00	45,261,166.23
Surplus.....	6,782,094.18	2,133,926.70	1 2,133,926.70	6,782,094.18
Total liabilities and capital.....	156,352,052.18	12,985,969.18	1 8,292,073.75	161,045,947.61

1 Deduct.

SCHEDULE K-2.—Consolidating balance sheet December 31, 1930, supporting Form
1120—Calendar year 1930

	Insull Utility Investments (Inc.)	Insull, Son & Co.	Eliminations	Consolidated
ASSETS				
Cash.....	\$5,406,116.13	\$348,474.48	-----	\$5,754,590.61
Notes and accounts receivable.....	2,216,526.78	8,134,776.03	-----	10,351,302.81
Due from subscribers to capital stock.....	13,615,930.45	-----	¹ \$837,420.00	12,778,510.45
Interest and dividends receivable.....	626,929.38	283,648.73	-----	910,578.11
Organization expense.....	1,063,704.75	-----	-----	1,063,704.75
Furniture and fixtures.....	20,299.94	-----	-----	20,299.94
Prepayments and deferred charges.....	51,456.34	91,843.44	-----	143,299.78
Investment securities.....	236,188,509.39	17,443,714.63	204,300.70	253,836,524.72
Earnings receivable—Insull, Son & Co.....	1,547,597.46	-----	¹ 1,123,392.01	424,205.45
Intercompany account.....	-----	6,800.82	¹ 6,800.82	-----
Investment in stock of subsidiary company.....	3,245,000.00	-----	¹ 3,245,000.00	-----
Total assets.....	263,982,070.62	26,309,258.13	¹ 5,008,312.13	285,283,016.62
LIABILITIES				
Notes payable.....	44,227,873.62	9,000,000.00	-----	53,227,873.62
Accounts payable.....	11,838.28	9,018,431.22	¹ 6,800.82	9,023,468.68
Purchase contract obligations.....	941,166.25	3,837,420.00	¹ 837,420.00	3,941,166.25
Interest accrued.....	1,846,801.85	289,316.60	-----	2,136,117.45
Dividends accrued.....	282,310.54	-----	-----	282,310.54
Stock dividends accrued on common stock.....	895,026.30	-----	-----	895,026.30
5 per cent gold debentures—Series A.....	2,469,000.00	-----	-----	2,469,000.00
6 per cent gold debentures—Series B.....	55,256,000.00	-----	-----	56,256,000.00
Reserve for investment securities.....	2,000,000.00	-----	-----	2,000,000.00
Reserve for Federal income taxes.....	33,665.26	-----	-----	33,665.26
Capital stock:				
Prior preferred stock.....	6,000,000.00	-----	-----	6,000,000.00
Preferred stock.....	40,000,000.00	-----	-----	40,000,000.00
Common stock.....	74,457,737.41	2,000,000.00	¹ 2,000,000.00	74,457,737.41
Common stock subscribed but not issued.....	22,657,400.00	-----	-----	22,657,400.00
Common stock scrip unconverted.....	239,649.70	-----	-----	239,649.70
Surplus.....	9,792,114.39	2,164,091.31	¹ 2,164,091.31	9,792,114.39
Paid-in surplus.....	2,971,487.02	-----	-----	2,971,487.02
Total liabilities.....	263,982,070.62	26,309,258.13	¹ 5,008,312.13	285,283,016.62

¹ Deduct.

SCHEDULE L.—Reconciliation of net income and analysis of changes in surplus, supporting Form 1120—calendar year 1930

	Insull Utility Investments (Inc.)	Insull, Son & Co. (Inc.)	Second Utilities Syndicate, Inc., period Jan. 1 to June 30, 1930	Public Service Trust, period Mar. 1 to June 30, 1930	Intercompany eliminations	Consolidated
Net taxable income (Schedule A).....	\$5,627,001.62	\$1,731,701.31	\$7,393.41	\$15,909.99	1 \$2,589,560.64	1 \$6,493,377.53
Add:						
Dividends on stocks of domestic corporations.....						
Stock dividends received.....	4,117,901.41	305,333.33	18,197.67	16,434.08	1 290,384.09	4,158,482.40
Profit on company's own stock reacquired and sold (including sale of subscription rights).....	4,908,725.38	220,740.96	36,636.45	80,221.53	1 163,055.36	5,143,268.96
Cost assignable to stock subscription rights sold.....	69,246.73					
Amortization of discount and expense on debentures (entire amount of discount and expense was charged to paid-in surplus; this adjustment reflects annual amortization applicable to the year 1930).....	4,703,325.98				2,589,560.64	2,658,807.37
Earnings of Insull, Son & Co. (Inc.), and its foreign subsidiaries recorded on the books.....	349,751.88					4,703,325.98
Documentary stamp tax on debentures, charged to discount and expense on debentures, and thence to paid-in surplus (this amount not included in discount and expense for annual amortization).....	2,244,196.98					
Total additions.....	30,000.00				1 2,025,164.61	349,751.88
Balance.....	16,483,151.36	526,074.29	64,834.12	96,655.61		219,035.37
	10,856,149.74	2,257,775.60	62,227.53	80,745.62		30,000.00
Deduct:						
Donations.....	3,760.14	1,000.00				4,760.14
Federal tax on interest.....	15,647.45					15,647.45
Stock expense and stock rights expense not deducted.....	131,277.33					131,277.33
Cost of alterations to office, etc. (less amortization 1930).....	5,220.60					5,220.60
Adjustment of book cost of stocks sold, for portion of cost assigned to subscription rights.....	109,600.11					109,600.11
Adjustment of cost of stocks of parent company sold in intercompany transaction, for write-up to market value thereof on Dec. 31, 1929.....		109,990.25				109,990.25
Adjustment of cost of stocks sold, for stock dividends included in cost.....		94,430.40				94,430.40
Expense of conversion of Insull Utility Investments (Inc.), debentures.....		27,190.34				27,190.34
Total deductions.....	265,505.63	232,610.99				498,116.62
Net income as shown by books of account.....	10,690,644.11	2,025,164.61	62,227.53	80,745.62	1 2,487,604.06	10,271,177.81
Surplus, beginning of period.....	6,782,094.18	2,133,926.70		398,367.77	1 2,632,294.47	6,782,094.18

SCHEDULE L.—Reconciliation of net income and analysis of changes in surplus, supporting Form 1120—calendar year 1930—Continued

	Insull Utility Investments (Inc.)	Insull, Son & Co. (Inc.)	Second Utilities Syndicate, Inc., period Jan. 1 to June 30, 1930	Public Service Trust, period Mar. 1 to June 30, 1930	Intercompany eliminations	Consolidated
Other credits:						
Adjustment of accrued interest receivable on notes receivable applicable to prior years.....	\$17,372,738.29	\$4,159,091.31	\$62,227.53	\$5,576.50	\$15,019,898.53	\$5,576.50
Debits to surplus:						
Dividends paid—						
Cash.....	2,091,476.50		46,430.90	143,015.62	1299,384.09	2,881,538.93
Stock.....	3,589,147.40	1,995,000.00			1163,055.36	3,426,092.04
					11,995,000.00	1,000,000.00
Appropriation of surplus to reserve for investment securities.....	1,000,000.00					
Total debits.....	7,580,623.90	1,995,000.00	46,430.90	143,015.62	12,457,439.45	7,307,630.97
Surplus, end of period.....	9,792,114.39	2,164,091.31	15,796.63	341,674.27	12,562,459.08	9,751,217.52

† Deduct.

Affiliations Schedule, taxable year ended December 31, 1930, parent corporation Insull Utility Investments (Inc.), 72 West Adams Street, Chicago, Ill.

Name and address of corporation	Date of incorporation	State or country in which incorporated	Capital stock outstanding at beginning of year, par value ¹		Stock holdings at beginning of year		
			Per share	Total	Number of shares	Per cent	Owned by corporation No. —
(1) Parent corporation: Insull Utility Investments (Inc.).	December, 1928.	Illinois.....	-----	² 3,048,588	-----	-----	-----
Subsidiary corporation:							
(2) Insull, Son & Co. (Inc.), 20 North Wacker Drive, Chicago, Ill.	August, 1924.....	..do.....	-----	³ 1,000	1,000	100	1
(3) Second Utilities Syndicate (Inc.), 72 West Adams St., Chicago, Ill.	December, 1929.	Delaware	-----	None.	-----	-----	-----
(4) Public Service Trust Co., 72 West Adams St., Chicago, Ill.	July, 1918.....	(⁴) -----	\$50	1,000,000	-----	-----	-----

¹ All classes of stock outstanding must be shown except nonvoting stock which is both limited and preferred as to dividends.

² Shares (all classes) having no par value.

³ Shares of no par value.

⁴ By trust agreement.

CHANGES IN STOCK HOLDINGS DURING THE YEAR

Corporation name	Stockholder (corporation No.)	Shares held at beginning of year	Per cent	Changes			Shares held at end of year	Per cent
				Date	Shares acquired	Shares disposed of		
(3) Second Utilities Syndicate (Inc.)-----	1	None.	None.	January	10,000	2,500	7,500	75
(4) Public Service Trust..	1	2,972	14.86	{January to March}	17,028	5,000	15,000	75

NOTE.—One hundred per cent capital stock of company No. 3 was acquired early in January, 1930, shortly after its issuance. Twenty-five per cent thereof was disposed of on June 30, 1930. Holdings of company No. 1 in company No. 4 reached 95 per cent of the total shortly after Mar. 1, 1930, the balance of 100 per cent being acquired later. Twenty-five per cent thereof was disposed of on June 30, 1930.

REMARKS: Capital stock of Insull, Son & Co. (Inc.) (company No. 2) was changed during year from no par value to stock of a par value of \$100. A stock dividend was also declared, so that at the end of the year Insull Utility Investments (Inc.) held 20,000 shares having a par value of \$100 each, which is all of the outstanding capital stock.

MR. PECORA. Now, Mr. Insull, I show you this pamphlet entitled "Report of Insull Utility Investments (Inc.) for the fiscal year ended December 31, 1931," and ask you if that is the published report of the financial operations and position of the company for that fiscal year that was given to the public?

MR. INSULL. Yes, sir.

MR. PECORA. And according to that report did the company have net earnings for that year; and if so, how much?

MR. INSULL. According to this report, on page 10, the net earnings were \$5,240,540.36.

MR. PECORA. Mr. Chairman, I ask that that likewise be spread in full on the minutes of the committee hearings.

THE CHAIRMAN. There being no objection it is so ordered.

(The printed pamphlet headed "Report of Insull Utility Investments (Inc.) for the fiscal year ended December 31, 1931," was marked "Exhibit 8," and will here be printed in full in the proceedings.)

EXHIBIT 8

REPORT OF INSULL UTILITY INVESTMENTS (INC.) FOR THE YEAR FISCAL ENDED
DECEMBER 31, 1931

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

CHICAGO, ILL., *January 27, 1932.*

The stockholders of Insull Utility Investments (Inc.), are hereby notified that the regular annual meeting of the stockholders of said company will be held, pursuant to the by-laws at the Civic Theater, southwest corner of Wacker Drive and Washington Street, in the city of Chicago, Ill., on Monday, the 15th day of February, 1932, at 11 o'clock a. m., for the purpose of electing a board of directors and of transacting such other business as may properly be brought before such meetings.

All stockholders are requested to be present in person or by proxy. Stockholders who do not expect to be present in person are requested to sign the enclosed proxy and return it to the company in the envelope enclosed for the purpose.

JOHN F. O'KEEFE, *Secretary.*

Only stockholders of record on the books of the company at the close of business on February 5, 1932, will be entitled to vote at said meeting.

Board of directors: Walter S. Brewster, Britton I. Budd, Edward J. Doyle, Louis A. Ferguson, John F. Gilchrist, John H. Gulick, Martin J. Insull, Samuel Insull, Samuel Insull, jr., P. J. McEnroe, George F. Mitchell, Stuyvesant Peabody, Marshall E. Sampson, H. L. Stuart, Waldo F. Tobey.

Executive committee: Walter S. Brewster, Martin J. Insull, Edward J. Doyle, Samuel Insull, H. L. Stuart, John H. Gulick, Samuel Insull, jr.

Finance committee: Walter S. Brewster, Martin J. Insull, Samuel Insull, Samuel Insull, jr., H. L. Stuart.

Officers: Samuel Insull, chairman; Samuel Insull, jr., president; Martin J. Insull, vice president; P. J. McEnroe, vice president; John F. O'Keefe, secretary and treasurer; C. W. Daniels, assistant secretary and assistant treasurer; W. J. McElligott, assistant secretary; W. R. Irwin, auditor.

Stock transfer agents: Utilities Stock Transfer Co., Chicago, Ill.; Bankers Trust Co., New York City, N. Y.

Registrars of stock: Central Republic Bank & Trust Co., Chicago, Ill.; City Bank Farmers Trust Co., New York City, N. Y.

To the Stockholders of Insull Utility Investments (Inc.):

By direction of the board of directors, I submit to you herewith a report of the company's operations for the fiscal year ended December 31, 1931.

SAMUEL INSULL, *Chairman.**To the Stockholders of Insull Utility Investments (Inc.):*

The board of directors submits this annual report for the fiscal year ended December 31, 1931.

Following is a summary of the consolidated income account of the company and its wholly owned subsidiary, Insull, Son & Co. (Inc.), for said fiscal year:

Income.....	\$12, 225, 643. 93
Expenses:	
Administrative and general expenses.....	\$750, 117. 38
Provision for foreign exchange.....	76, 897. 02
Provision for income taxes.....	27, 456. 18
	<hr/>
	\$54, 470. 58
Net income before interest charges.....	11, 371, 173. 35
Interest charges:	
Interest on 5 per cent gold debentures,	
series A.....	123, 320. 27
Interest on 6 per cent gold debentures,	
series B.....	3, 315, 324. 51
Interest on bank loans, etc.....	2, 691, 988. 21
	<hr/>
	6, 130, 632. 99
Net income for the year.....	<hr/>
	5, 240, 540. 36

The net income for the year 1931 was \$5,240,540.36. The dividend requirements on the company's prior preferred and preferred stocks amounted to \$2,888,125.95. The balance of income available for dividends on common stock was, therefore, \$2,352,414.41, which is equivalent to \$0.70 per share on 3,359,100 shares, the average number of shares of common stock outstanding during the year. As the company throughout the year paid dividends at the rate of 6 per cent upon its common stock payable in common stock issued against earnings and surplus on the basis of \$20 per share, the company's common stock dividend requirements amounted to \$3,977,962.80, which is \$1,625,548.39 in excess of the earnings for the year. This excess was charged against surplus previously accumulated out of earnings. Subsequent to December 31, 1931, the board of directors has announced a suspension of dividends upon all classes of the company's stock. This action was taken in the belief that in the present disturbed times the sound policy for the company to pursue is to hold all of its earnings, irrespective of what they may be, available to reduce the amount of its notes payable and other indebtedness.

In the accounts of the company stock dividends received have been taken upon the books of the company at their market value on the day received. On this basis securities held in the investment account of the company on December 31, 1931, had an aggregate cost of \$252,378,626.07, and an aggregate market value of \$77,975,461.66. These values in detail are shown in the list of securities appended to this report. Since December 31 there has been a decline in market values of securities generally and the securities owned by the company have followed the general trend.

The major portion of the company's portfolio consists (as it always has consisted) of securities of well-established public-utility operating and holding companies, namely, Commonwealth Edison Co., the Peoples Gas Light & Coke Co., Public Service Co. of Northern Illinois, Middle West Utilities Co. and subsidiaries, and Midland United Co. and subsidiaries, all of which are under the same general management as this company, a fact that gives to the management of this company intimate knowledge of the earning power and intrinsic value of the securities held. The income of these companies, even during the trying year of 1931, has been very satisfactory, and with one exception each of them has added to its surplus during the year after taking care of all its dividend requirements. It seems apparent, therefore, that the downward trend of the market values of the securities of these companies during the year was the result of general market conditions and that their present market value is no indication of their actual intrinsic value.

The floating debt of the company as of December 31, 1931, represented by bank loans and notes payable, amounts to \$53,257,145, as shown by the balance sheet appended hereto. This is a reduction of \$5,219,073.92 from the amount of bank loans and notes payable as of December 31, 1930. It was stated at the last annual meeting of stockholders that the policy of the company for the year 1931 would be to make every effort to reduce this floating debt either through the sale of miscellaneous preferred stocks in the company's portfolio or by permanent financing. The policy so stated had to be abandoned as the year advanced. The demoralized financial conditions which prevailed throughout the year made it impossible for the company to do any advantageous permanent financing and inadvisable for the company to liquidate any substantial portion of its miscellaneous securities.

The items appearing in the balance sheet as borrowed securities on the one hand and loaned securities on the other represent in the main securities borrowed from or loaned to affiliated companies, especially the Corporation Securities Co. of Chicago. The securities loaned to the Corporation Securities Co. of Chicago were so loaned to protect the very substantial investment which this company has in the Corporation Securities Co. of Chicago. For the same reason the company has advanced money from time to time to the Corporation Securities Co. of Chicago and other institutions affiliated with the company and these advances are included in the balance sheet under the title "Notes and accounts due by affiliated companies and others, partly secured." If present conditions continue, some of the securities loaned to affiliated companies will not be returned and some of the notes and accounts due from them will not be paid. To protect such contingencies a reserve has been set up against each of the two items.

During the first nine months of the year the company purchased some of its own securities. A portion of these were resold at an aggregate loss of \$713,766.61. The remainder were on hand on December 31, and were written down to their market value on that date.

This company and the Corporation Securities Co. of Chicago, which are under the same general management, continue to pursue the same general policy in the conduct of their respective affairs and to act together whenever the occasion arises. Their ownership each in the other and the similarity of their investment portfolios make this most desirable. In fact, the interests and objects of the two companies are so nearly identical that in their reorganizations, which must come as soon as financial conditions permit, they may even be consolidated with each other or merged with a third company under the same general management, on some mutually fair basis. This important subject is now receiving serious attention.

There was no change during the year in the number of shares outstanding of prior preferred stock and preferred stock, first and second series, but 443,756 shares of common stock were issued during the year to satisfy common stock subscribed for during the preceding year and paid for in 1931, and 196,455 shares of common stock were issued as dividends on common stock.

On December 31, 1931, the company had a total of 51,678 stockholders after eliminating duplications where stockholders held more than one class of stock. On December 31, 1930, there were 43,737 stockholders after similar elimination.

Appended is a certificate of audit of the company's books and accounts; a balance sheet, income account, surplus account and a schedule of securities owned, showing cost and market value on December 31, 1931, submitted after an examination by Arthur Young & Co., certified public accountants.

By order of the board:

SAMUEL INSULL, Jr., *President.*

ARTHUR YOUNG & Co.,
Chicago, February 9, 1932.

To the Chairman and Board of Directors, Insull Utility Investments (Inc.), Chicago.

DEAR SIR: We have examined the accounts of Insull Utility Investments (Inc.), and of its wholly owned subsidiary, Insull, Son & Co. (Inc.), for the year ended December 31, 1931, and certify that the accompanying consolidated balance sheet, income account and surplus account are in accordance therewith and, in our opinion, are drawn up to correctly exhibit the financial position of the company as of December 31, 1931, and the result of its operations for the year ended that date, on the basis indicated. All securities held by the company were produced for our inspection or otherwise accounted for.

The list of investment securities appended hereto shows the cost value and market value as of December 31, 1931.

Yours faithfully,

ARTHUR YOUNG,
Certified Public Accountants.

Statement of Insull Utility Investments (Inc.) and Insull, Son & Co. (Inc.) for the year ended December 31, 1931

CONSOLIDATED INCOME ACCOUNT

Income:		
Cash dividends.....		\$4, 449, 975. 72
Stock dividends, taken in at market value at date of receipt.....		5, 228, 935. 77
Interest on bonds, notes, etc.....		851, 547. 29
Sale of rights during year.....		926, 042. 23
Rights on hand, taken in at subsequent sale price.....		500, 543. 50
Management fees.....		199, 836. 00
Miscellaneous income.....		68, 763. 42
Total.....		12, 225, 643. 93
Expenses:		
Administrative and general expenses.....	\$750, 117. 38	
Provision for foreign exchange.....	76, 897. 02	
Provision for income taxes.....	27, 456. 18	
		854, 470. 58
Net income before interest charges.....		11, 371, 173. 35

Interest charges:

Interest on 5 per cent gold debentures, series A.....	\$123, 320. 27	
Interest on 6 per cent gold debentures, series B.....	3, 315, 324. 51	
Interest on bank loans, etc.....	2, 691, 988. 21	
		\$6, 130, 632. 99
Net income for the year.....		5, 240, 540. 36

CONSOLIDATED SURPLUS ACCOUNT

Surplus, Dec. 31, 1930.....		\$9, 792, 114. 39
Net income for the year.....		5, 240, 540. 36
Total.....		15, 032, 654. 75
Cash dividends paid and declared:		
Prior preferred stock.....	\$325, 757. 29	
Preferred stock, second series.....	2, 415, 702. 00	
Preferred stock, first series.....	146, 666. 66	
		2, 888, 125. 95
Total.....		12, 144, 528. 80
Stock dividend paid and declared on common stock at the rate of 6 shares for every 100 shares per annum—198,898-28/200 shares at \$20 per share.....		3, 977, 962. 80
Total.....		8, 166, 566. 00
Paid-in surplus, Dec. 31, 1930.....		2, 971, 487. 02
Total.....		11, 138, 053. 02
Deduct:		
Realized loss on purchase and sale of com- pany's own securities.....	\$713, 766. 61	
Write-down of company's own securities purchased and on hand, to market value, Dec. 31, 1931.....	5, 702, 841. 26	
Reserve against notes and accounts due by affiliated companies and others.....	10, 000, 000. 00	
Reserve against investment securities loaned to affiliated companies and others.....	12, 000, 000. 00	
Reserve against company's own securities loaned to affiliated companies and others.....	100, 000. 00	
Total.....	28, 516, 607. 87	
Less: Amount previously reserved for contin- gencies.....	2, 000, 000. 00	
		26, 516, 607. 87
Deficit, Dec. 31, 1931.....		15, 378, 554. 85

ASSETS

Cash.....		\$1, 679, 893. 85
Notes and accounts due by affiliated com- panies and others—partly secured.....	\$12, 152, 418. 99	
Less reserve.....	10, 000, 000. 00	
		2, 152, 418. 99
Subscribers to common stock, 7,392 shares.....		256, 754. 58
Deferred payment plan sales, Insull Utility Investments (Inc.), common stock, 5,784 shares.....		250, 900. 59
Interest and dividends receivable.....		229, 617. 99
Organization expense, etc.....		1, 165, 569. 54
Borrowed securities, at market value, per contra:		
Pledged.....	\$4, 085, 721. 50	
Loaned—		
To affiliated company.....	780, 800. 00	
To others.....	12, 656. 00	
		793, 456. 00
		\$4, 879, 177. 50

Investment securities, at cost (aggregate market value Dec. 31, 1931, \$77,975,461.66):

Pledged.....	\$206,626,035.82	
Unpledged.....	32,906,651.91	
Total.....	239,532,687.73	
Loaned—		
To affiliated companies, partly secured.....	12,677,631.52	
To others.....	168,306.82	
	12,845,938.34	
Total.....	252,378,626.07	
Less reserve against loaned securities.....	12,000,000.00	
		\$240,378,626.07
Company's own securities, at market value, Dec. 31, 1931:		
\$7,000 5 per cent gold debentures, series A.....	1,680.00	
\$37,000 6 per cent gold debentures, series B.....	11,100.00	
1,212 shares prior preferred stock, first series.....	18,180.00	
20,249 shares preferred stock, second series.....	293,610.50	
137,839.46 shares common stock.....	809,806.82	
Total.....	1,134,377.32	
Less reserve against loaned securities.....	100,000.00	
		1,034,377.32
Of the above there are—		
Pledged.....	712,967.25	
Unpledged.....	75,260.07	
Loaned—		
To affiliated company.....	235,000.00	
To others.....	111,150.00	
	346,150.00	
Total.....	1,134,377.32	
Grand total.....		252,027,336.43

LIABILITIES

Notes payable:		
Bank loans, secured.....	\$51,247,500.00	
Others, partly secured.....	2,009,645.00	
		\$53,257,145.00
Accounts payable, partly secured.....		1,927,504.97
Taxes and interest accrued.....		145,554.00
Purchase contract obligations, due 1932-1934.....		1,202,137.50
Liability to deliver borrowed securities, at market value, per contra, partly secured.....		4,879,177.50
Common stock dividend declared and payable Jan. 15, 1932, in common stock.....		1,085,498.40
Funded debt:		
5 per cent gold debentures, series A, due Jan. 1, 1949.....	\$2,469,000.00	
6 per cent gold debentures, series B, due Jan. 1, 1940.....	55,256,000.00	
		57,725,000.00
Capital stock:		
Prior preferred without par value—Authorized 250,000 shares; issued, first series \$5.50 cumulative, 60,000 shares.....	6,000,000.00	
Preferred without par value, authorized, 500,000 shares—		
Issued—		
First series (entitled to cumulative dividends, \$5, 1932; \$6, 1933, and thereafter), 40,000 shares.....	4,000,000.00	
Second series, \$6 cumulative, 450,000 shares.....	36,000,000.00	

Capital stock—Continued.

Common, without par value, authorized, 6,000,000 shares—Issued, including scrip, 3,636,622 shares; subscribed but not issued, 7,392 shares; total, 3,644,014 shares-----	\$101, 183, 873. 91
Total-----	147, 183, 873. 91
Deduct: Deficit-----	15, 378, 554. 85
	\$131, 805, 319. 06

(NOTE.—In addition to the above liabilities there is a contingent liability arising out of participations by Insull Utility Investments, Inc. and Insull, Son & Co. (Inc.), in an unclosed stock syndicate. If the syndicate had been liquidated as of Dec. 31, 1931, there would have been a combined loss to the two companies of \$1,585,254.65. Dividends have not been accrued on preferred stock, second series and preferred stock, first series, for the month of December, 1931.)

Total----- 252, 027, 336. 43

Insull Utility Investments (Inc.), including Insull, Son & Co. (Inc.), Investment Securities, December 31, 1931

	Shares				Cost	Market value Dec. 31, 1931
	Pledged	Un- pledged	Loaned	Total		
Central & South West Utilities Co., common stock (Middle West Utilities Co. subsidiary)	451, 842	82, 722	5, 000	539, 564	\$9, 157, 601. 70	\$2, 697, 820. 00
Commonwealth Edison Co., capital stock	178, 615	-----	3, 024	181, 639	59, 858, 874. 64	21, 615, 041. 00
Corporation Securities Co. of Chicago:						
Common stock-----	504, 508	167, 770	3, 000	675, 278	14, 516, 681. 89	1, 519, 376. 75
\$3 optional preferred stock--	327, 908	40, 847	3, 000	371, 755	18, 051, 962. 40	1, 765, 836. 25
Middle West Utilities Co.:						
Common stock-----	2, 438, 818	405, 196	51, 082	2, 895, 096	62, 441, 209. 23	17, 370, 576. 00
\$6 convertible preferred stock	18, 725	775	145	19, 645	1, 969, 696. 11	751, 421. 25
Midland United Co.:						
Common stock-----	134, 459	11, 191	5, 400	151, 050	3, 595, 432. 91	906, 300. 00
7 per cent prior-lien stock--	5, 078	1, 000	-----	6, 078	664, 339. 19	303, 140. 25
7 per cent preferred stock, class A-----	603	-----	1, 000	1, 603	161, 582. 30	80, 150. 00
6 per cent prior-lien stock--	7, 843	2, 728	-----	10, 571	1, 036, 264. 37	496, 837. 00
6 per cent preferred stock, class A-----	3, 491	-----	1, 000	4, 491	429, 193. 36	202, 095. 00
North American Light & Power Co., common stock-----	42, 402	19, 205	-----	61, 607	3, 771, 064. 53	1, 540, 177. 50
The Peoples Gas Light & Coke Co., capital stock-----	120, 948	2	23, 187	144, 137	42, 741, 122. 19	17, 008, 166. 00
Public Service Co. of Northern Illinois, common stock-----	44, 205	-----	13, 990	58, 195	16, 416, 659. 18	7, 538, 975. 00
Public Service Trust, participa- tion certificates \$50 par value.		15, 000	-----	15, 000	3, 145, 837. 40	(1)
Seaboard Public Service Co., \$.25 convertible preferred stock (Middle West Utilities Co. subsidiary)-----	5, 300	89	-----	5, 389	237, 116. 00	188, 615. 00
Second Utilities Syndicate (Inc.), capital stock-----	-----	7, 500	-----	7, 500	1, 630, 300. 00	1 363, 300. 00
Miscellaneous investments:						
Pledged-----					1, 928, 718. 31	-----
Unpledged-----					10, 258, 374. 16	-----
Loaned-----					366, 596. 20	-----
Total-----					12, 553, 688. 67	3, 627, 634. 66
Grand total-----					252, 378, 626. 07	77, 975, 461. 66

¹ Market value based on liquidating value.

Mr. PECORA. Mr. Insull, I now show you a photostatic copy of what purports to be the corporation income tax return for the calendar year 1931 of Insull Utility Investments (Inc.), which was also obtained from the files of the company at its Chicago office, and ask you

if that reports to the Government earnings of \$5,240,540.36, or any earnings whatsoever?

Mr. INSULL. On the line marked "Net income" I see the word "red" is written in, which I assume was because in photostating the red figures, if there were such, did not show.

Mr. PECORA. The earnings there are shown in red?

Mr. INSULL. Yes; which I should take it to mean to be a loss.

Mr. PECORA. You know it to be a loss as shown there, don't you?

Mr. INSULL. Well, I did not make up the report.

Mr. PECORA. But as you read it you know it is referred to there as a loss?

Mr. INSULL. It says "net income," and then it says "red," which I take it to be a loss of \$9,213,586.03.

Mr. PECORA. Mr. Chairman, I ask that that may be spread in full on the record.

The CHAIRMAN. Without objection it is so ordered.

(The photostatic copy of corporation income tax return for the calendar year 1931 of Insull Utility Investments (Inc.), was marked "Exhibit 9," and will here be printed in the record:)

EXHIBIT 9

CORPORATION INCOME TAX RETURN FOR CALENDAR YEAR 1931

Insull Utility Investments (Inc.), 72 West Adams Street, Chicago, Ill.

Date of incorporation: December, 1928.

Under the laws of what State or country: Illinois.

Kind of business: Investments.

Is this a consolidated return of two or more corporations? Yes; if so, how many? Two.

GROSS INCOME

5. Interest on bank deposits, notes, mortgages, and corporation bonds-----	\$860, 292. 73	
8. Profit from sale of real estate, stocks, bonds, and other capital assets (From Schedule B)-	1 866, 333. 66	
9. Dividends on stock of domestic corporations-	4, 441, 346. 20	
10. Other income (including dividends received on stock of foreign corporations):		
(a) Dividends on stocks of foreign corporations-----	4, 014. 46	
(b) Profit from syndicate participations-	9, 254. 29	
(c) Management fees-----	199, 836. 00	
11. Total income in items 3 to 10-----		\$4, 648, 410. 02

DEDUCTIONS

12. Compensation of officers (from Schedule C)--	24, 056. 00	
13. Rent on business property-----	18, 324. 40	
15. Interest-----	6, 139, 526. 74	
16. Taxes (from Schedule E)-----	74, 066. 55	
19. Dividends (from Schedule H)-----	4, 441, 346. 20	
20. Depreciation (resulting from exhaustion, wear and tear, or obsolescence) (from Schedule I)-	1, 099. 50	
22. Other deductions not reported above:		
(b) Net loss for 1929-1930 (submit schedule)-----	2, 335, 345. 13	
(c) Other deductions-----	828, 231. 53	
23. Total deductions in items 12 to 22-----		13, 861, 996. 05
24. Net income (item 11 minus item 23) as per Schedule A attached-----		1 9, 213, 586. 03

COMPUTATION OF TAX

25. Net low (item 24 above): \$9,213, 586.03.

33. Balance of tax (item 30 minus items 31 and 32): None.

QUESTIONS

Kind of business: Class H, Investments.

AFFILIATIONS WITH OTHER CORPORATIONS

4. Is this a consolidated return of two or more corporations? Yes.

5. Did the corporation file a consolidated return for the preceding taxable year? Yes.

PREDECESSOR BUSINESS

6. Did the corporation file a return under the same name for the preceding taxable year? Yes. Was the corporation in any way an outgrowth, result, continuation, or reorganization of a business or businesses in existence during this or any prior year since December 31, 1917? No.

BASIS OF RETURN

7. Is this return made on the basis of actual receipts and disbursements? No. If not, describe fully what other basis or method was used in computing net income. Accrual basis.

LIST OF ATTACHED SCHEDULES

9. Enter below a list of all schedules accompanying this return, giving for each a brief title and the schedule number. The name and address of the corporation should be placed on each separate schedule accompanying the return:

Schedule A, consolidating income statement.

Schedule B, profit and loss from sale of securities.

Schedule C, compensation of officers.

Schedule 22 (b), net loss of prior year.

Schedule 22 (c), other deductions.

Schedules K-1 and K-2, balance sheets.

Schedule L, reconciliation of net income and analysis of changes in surplus.

Forms 851 and 1122.

The corporation's books are in care of P. J. McEnroe, 72 W. Adams Street, Chicago, Ill.

TREASURY DEPARTMENT,
INTERNAL REVENUE SERVICE,
Chicago, Ill., March 15, 1932.

INSULL UTILITY INVESTMENTS (INC.),
Chicago, Ill.

GENTLEMEN: In compliance with request dated March 15, 1932, you are hereby granted an extension of time to June 15, 1932, within which to file your return of income for the year ending December 31, 1931.

A tentative return properly signed and sworn to must be filed on or before March 15, 1932, and payment made at that time of not less than one-fourth of the total estimated tax shown thereon to be due.

Any deficiency in the first installment of tax will bear interest at the rate of one-half of 1 per cent a month from the original due date.

By a "tentative return" is meant a return on the appropriate income tax form showing only the name and address of the taxpayer and the estimated amount, if any, of the tax due. The items and schedules shown on the form need not be filled in.

A copy of this letter must be attached to both the tentative and completed returns, as authority for the extension of time for filing herein granted.

DAVID BURNET,
Commissioner.
GREGORY T. VAN METER,
Collector.

INSULL UTILITY INVESTMENTS (INC.)

SCHEDULE A.—Consolidating income statement, supporting Form 1120, calendar year 1931

	Insull Utility Investments (Inc.)	Insull, Son & Co. (Inc.)	Intercompany eliminations	Consolidated
Gross income:				
Interest received.....	\$295,984.18	\$564,308.55	-----	\$860,292.73
Profit and loss from sale of securities (Schedule B).....	¹ 132,408.60	¹ 733,925.06	-----	866,333.66
Dividends on stocks of domestic corporations.....	4,219,936.24	278,762.67	¹ 557,352.71	4,441,346.20
Other income—				
Cash dividends on stocks of foreign corporations.....		4,014.46	-----	4,014.46
Profit from syndicate participations.....	9,254.29		-----	9,254.29
Management fees.....		199,836.00	-----	199,836.00
Total gross income.....	4,392,766.11	312,996.62	¹ 57,352.71	4,648,410.02
Deductions:				
Compensation of officers (Schedule C).....	12,936.00	11,120.00	-----	24,056.00
Rent.....	8,324.40	10,000.00	-----	18,324.40
Interest.....	5,466,249.33	673,277.41	-----	6,139,526.74
Taxes.....	72,652.87	1,413.68	-----	74,066.55
Cash dividends on stocks of domestic corporations.....	4,219,936.24	278,762.67	¹ 557,352.71	4,441,346.20
Depreciation.....	1,099.50		-----	1,099.50
Other deductions (Schedule 22 (c)).....	778,635.01	49,596.52	-----	828,231.53
Total.....	10,559,833.35	1,024,170.28	¹ 57,352.71	11,526,650.92
Balance.....	¹ 6,167,067.24	¹ 711,173.66	-----	¹ 6,878,240.90
Net loss of prior year (Schedule 22 (b)).....			-----	2,335,345.13
Taxable net income, loss.....			-----	¹ 9,213,586.03

¹ Loss.

SCHEDULE B.—Profit and loss from sale of securities supporting Form 1120, calendar year 1931

Description	Date acquired	Amount received	Basis	Profit or loss
Insull Utility Investments (Inc.):				
129 shares Middle West Utilities Co. convertible preferred.....	1929	\$12,126.00	\$13,606.53	¹ \$1,480.53
6,667-252/100 shares Cities Service Co. common stock.....	1929-1931	132,495.69	105,980.87	¹ 26,514.82
288 shares Central & Southwest Utilities Co. preferred stock.....	1929	27,492.50	28,368.00	¹ 875.50
5 shares Lake Superior District Power Co.....	1929	500.00	520.00	¹ 20.00
2,298 shares Public Service Co. of Northern Illinois 6 per cent preferred.....	1929-30	271,164.00	194,327.02	76,836.98
1,820 shares Public Service Co. of Northern Illinois 7 per cent preferred.....	1929-30	218,400.00	171,046.74	47,353.26
\$100,000 par value Chicago North Shore & Milwaukee R. R. 6 per cent gold notes.....	1930	100,000.00	98,120.00	1,880.00
\$25,290 par value Cities Service Co. 5 per cent debentures.....	1930	20,209.62	25,290.00	¹ 5,080.38
52,907 stock subscription rights, Peoples Gas Light & Coke Co.....	1930	529,070.00	515,843.25	13,226.75
13,771 stock subscription rights, Public Service Co. of Northern Illinois.....	1930	232,385.63	220,336.00	12,049.63
10,345 stock subscription rights, Public Service Co. of Northern Illinois.....	1930	174,571.87	211,329.41	¹ 36,757.54
72,618 stock subscription rights, Peoples Gas Light & Coke Co.....	1930	726,193.98	992,250.07	¹ 266,056.09
Total.....		2,444,609.29	2,577,017.89	¹ 132,408.60
Insull, Son & Co. (Inc.):				
Loss on sales of securities during year (including loss on sales of stocks of Insull Utility Investments (Inc.)) particulars are shown by records of the company.....				733,925.06

¹ Loss.

SCHEDULE C.—*Compensation of officers supporting Form 1120, calendar year 1931*

	Official title	Time devoted to business	Shares of stock held		Compensation	
			Common	Preferred	Insull Utility Investments (Inc.)	Insull, Son & Co. (Inc.)
P. J. McEnroe.....	Vice president.....	Part.....	3, 204		\$6, 120	
John F. O'Keefe.....	Secretary and treasurer.....	do.....	1, 260	100	2, 820	
C. W. Daniels.....	Assistant treasurer.....	do.....	246		1, 116	
W. R. Irwin.....	Auditor.....	do.....			2, 880	
E. Ogden Ketting.....	Vice president.....	do.....				\$4, 500
P. J. Fallon.....	Treasurer.....	do.....				3, 000
M. E. Carney.....	Assistant secretary.....	do.....				500
J. A. Ryan.....	Vice president.....	do.....				1, 200
J. P. Orchard.....	Assistant treasurer.....	All.....				1, 920
Total.....					12, 936	11, 120

SCHEDULE 22 (b).—*Net loss of prior year supporting Form 1120, calendar year 1931*

Consolidated loss as shown by return filed for the calendar year 1930.....	\$6, 493, 377. 53
Deduct: Dividends on stocks of domestic corporations.....	4, 158, 032. 40
Net loss of prior year deducted in Schedule A.....	2, 335, 345. 13

SCHEDULE 22(c).—*Other deductions supporting Form 1120, calendar year 1931*

	Insull Utility Investments (Inc.)	Insull, Son & Co. (Inc.)	Consolidated
Advertising.....	\$42, 643. 02		\$42, 643. 02
Alterations.....	231. 13		231. 13
Commissions.....	5. 00		5. 00
Directors' fees.....	940. 00		940. 00
Expense on debentures.....	31, 080. 53		31, 080. 53
Dividend expense.....	63, 455. 30		63, 455. 30
Exchange.....	161. 15		161. 15
Executive committee fees.....	460. 00		460. 00
Expense of New York office.....	1, 833. 33	\$3, 994. 30	5, 827. 63
Expense of stockholders meetings.....	20, 964. 31		20, 964. 31
Finance committee fees.....	1, 440. 00		1, 440. 00
Insurance.....	2, 722. 59		2, 722. 59
Legal and accounting.....	52, 541. 35	10, 725. 00	63, 266. 35
Miscellaneous.....	3, 498. 13	874. 99	4, 373. 12
Office salaries.....	29, 903. 56	6, 872. 50	36, 776. 06
Office supplies.....	3, 395. 62	994. 67	4, 390. 29
Periodicals and financial services.....	619. 26		619. 26
Printing and postage.....	1, 707. 43	5, 542. 86	7, 250. 29
Registrars' fees and expenses.....	16, 489. 75		16, 489. 75
Stock expense.....	50, 780. 38		50, 780. 38
Telephone and telegraph.....	1, 262. 56	15, 992. 20	17, 254. 76
Transfer fees and expenses.....	107, 287. 55		107, 287. 55
Amortization of discount and expense on debentures.....	345, 213. 06		345, 213. 06
Traveling expenses.....		1, 000. 00	1, 000. 00
London expense.....		3, 600. 00	3, 600. 00
Total.....	778, 635. 01	49, 596. 52	828, 231. 53

**SCHEDULE K-1.—Consolidating balance sheet, December 31, 1930, supporting
Form 1120, calendar year 1931**

	Insull Utility Investments (Inc.)	Insull, Son & Co.	Eliminations	Consolidated
ASSETS				
Cash.....	\$5,406,116.13	\$348,474.48	-----	\$5,754,590.61
Notes and accounts receivable.....	2,216,526.78	8,134,776.03	-----	10,351,302.81
Due from subscribers to capital stock.....	13,615,930.45	-----	¹ \$837,420.00	12,778,510.45
Interest and dividends receivable.....	626,929.38	283,648.73	-----	910,578.11
Organization expense.....	1,063,704.75	-----	-----	1,063,704.75
Furniture and fixtures.....	20,299.94	-----	-----	20,299.94
Prepayments and deferred charges.....	51,456.34	91,843.44	-----	143,299.78
Investment securities.....	236,188,509.39	17,443,714.63	204,300.70	253,836,524.72
Earnings receivable—Insull, Son & Co. Intercompany account.....	1,547,597.46	6,800.82	¹ 1,123,392.01 ¹ 6,800.82	424,205.45
Investment in stock of subsidiary company.....	3,245,000.00	-----	¹ 3,245,000.00	-----
Total assets.....	263,982,070.62	26,309,258.13	¹ 5,008,312.13	285,283,016.62
LIABILITIES				
Notes payable.....	44,227,873.62	9,000,000.00	-----	53,227,873.62
Accounts payable.....	11,838.28	9,018,431.22	¹ 6,800.82	9,023,468.68
Purchase contract obligations.....	941,166.25	3,837,420.00	¹ 837,420.00	3,941,166.25
Interest accrued.....	1,846,801.85	289,315.60	-----	2,136,117.45
Dividends accrued.....	282,310.54	-----	-----	282,310.54
Stock dividends accrued on common stock.....	895,026.30	-----	-----	895,026.30
5 per cent gold debentures, series A.....	2,469,000.00	-----	-----	2,469,000.00
6 per cent gold debentures, series B.....	55,256,000.00	-----	-----	55,256,000.00
Reserve for investment securities.....	2,000,000.00	-----	-----	2,000,000.00
Reserve for Federal income taxes.....	33,665.26	-----	-----	33,665.26
Capital stock:				
Prior preferred stock.....	6,000,000.00	-----	-----	6,000,000.00
Preferred stock.....	40,000,000.00	-----	-----	40,000,000.00
Common stock.....	74,457,737.41	2,000,000.00	¹ 2,000,000.00	74,457,737.41
Common stock subscribed but not issued.....	22,557,400.00	-----	-----	22,557,400.00
Common stock scrip unconverted.....	239,649.70	-----	-----	239,649.70
Surplus.....	9,792,114.39	2,164,091.31	¹ 2,164,091.31	9,792,114.39
Paid-in surplus.....	2,971,487.02	-----	-----	2,971,487.02
Total liabilities.....	263,982,070.82	26,309,258.13	¹ 5,008,312.13	285,283,016.62

¹ Deduct.

**SCHEDULE K-2.—Consolidating balance sheet December 1, 1931, supporting Form
1120, calendar year 1931**

	Insull Utility Investments (Inc.)	Insull Son & Co. (Inc.)	Inter-Company eliminations	Consolidated
ASSETS				
Cash.....	\$1,513,393.88	\$42,486.35	-----	\$1,555,880.23
Notes and accounts receivable.....	6,883,741.99	5,453,706.41	-----	12,337,448.40
Due from subscribers to capital stock.....	256,754.58	-----	-----	256,754.58
Interest and dividends receivable.....	164,660.30	66,492.25	-----	231,152.55
Organization expense.....	1,063,704.75	-----	-----	1,063,704.75
Furniture and fixtures.....	21,351.17	-----	-----	21,351.17
Prepayments and deferred charges.....	78,195.47	2,068.43	-----	80,263.90
Investments.....	244,985,830.21	8,180,065.28	\$204,300.70	253,370,196.19
Advances to subsidiary company.....	4,651,516.31	-----	¹ 4,651,516.31	-----
Investment in stock of subsidiary company.....	3,245,000.00	-----	¹ 3,245,000.00	-----
Total assets.....	262,864,148.66	13,744,818.72	¹ 7,692,215.61	268,916,751.77
LIABILITIES AND CAPITAL				
Notes payable.....	45,897,145.00	7,360,000.00	-----	53,257,145.00
Accounts payable.....	35,237.72	1,806,030.32	-----	1,841,268.04
Purchase contract obligations.....	1,130,812.50	88,200.00	-----	1,219,012.50
Interest accrued.....	69,991.84	-----	-----	69,991.84
Dividends accrued.....	82,800.00	-----	-----	82,800.00
Stock dividends accrued on common stock.....	1,085,498.40	-----	-----	1,085,498.40
5 per cent gold debentures, series A.....	2,469,000.00	-----	-----	2,469,000.00
6 per cent gold debentures, series B.....	55,256,000.00	-----	-----	55,256,000.00

¹ Deduct.

SCHEDULE K-2.—*Consolidating balance sheet December 1, 1931, supporting Form 1120, calendar year 1931—Continued*

	Insull Utility Investments (Inc.)	Insull Son & Co. (Inc.)	Inter-Company eliminations	Consolidated
Unclaimed dividends.....	\$999.65			\$999.65
Reserve for income taxes.....	33,665.26			33,665.26
Reserves:				
For notes and accounts receivable.....	6,000,000.00	\$4,000,000.00		10,000,000.00
For investment securities loaned.....	12,000,000.00	100,000.00		12,100,000.00
Advances from affiliated company.....		4,651,516.31	¹ \$4,651,516.31	
Capital stock:				
Prior preferred stock.....	6,000,000.00			6,000,000.00
Preferred stock.....	40,000,000.00			40,000,000.00
Common stock.....	100,814,273.91	2,000,000.00	¹ 2,000,000.00	100,814,273.91
Common stock subscribed.....	369,600.00			369,600.00
Surplus.....	¹ 8,380,875.62	¹ 6,260,927.91	¹ 1,040,699.30	¹ 15,682,502.83
Total liabilities and capital.....	262,864,148.66	13,744,818.72	¹ 7,692,215.61	268,916,751.77

¹ Deduct.

SCHEDULE L.—*Reconciliation of net income and analysis of changes in surplus, supporting Form 1120, calendar year 1931*

	Insull Utility Investments (Inc.)	Insull, Son & Co. (Inc.)	Eliminations	Consolidated
Net taxable income (schedule A).....				\$9,213,586.03
Add: Net loss of prior year.....				2,335,345.13
Balance.....	¹ \$6,167,067.24	¹ \$711,173.66		6,878,240.90
Add:				
Dividends on stocks of domestic corporations.....	4,219,936.24	278,762.67	¹ \$57,352.71	4,441,346.20
Stock dividends received.....	5,145,467.00	177,906.07		5,323,373.07
Cost assignable to subscription rights sold.....	1,203,579.48			1,203,579.48
Subscription rights taken into income at market price (not sold in 1931).....	500,543.50			500,543.50
Amortization of discount and expense on debentures applicable to 1931 (entire amount charged off in 1930).....	345,213.06			345,213.06
Amortization of office improvements, etc. (charged off in 1930).....	1,044.00			1,044.00
Total additions.....	11,415,783.28	456,668.74	¹ 57,352.71	11,815,099.31
	5,248,716.04	¹ 254,504.92	¹ 57,352.71	4,936,858.41
Deduct:				
Donations.....	22,670.20	1,000.00		23,670.20
Federal tax on interest.....	31,265.91			31,265.91
Adjustment of cost of stocks sold, for stock dividends included.....	22,438.89	66,898.04		89,336.93
Adjustment of cost of stocks sold, for portion of cost assigned to subscription rights.....	156,689.43			156,689.43
Total deductions.....	233,064.43	67,898.04		300,962.47
Net income as shown by books of account.....	5,015,651.61	¹ 332,402.96	¹ 57,352.71	4,635,895.94
Surplus beginning of period.....	9,792,114.39	2,164,091.31	¹ 2,164,091.31	9,792,114.39
Other credits:				
Paid-in surplus transferred.....	2,971,487.02			2,971,487.02
Reserve for investment securities transferred.....	2,000,000.00			2,000,000.00
Profit on sale of company's own stocks.....	7,316.91			7,316.91
Total.....	19,786,569.93	1,841,688.35	¹ 2,221,444.02	19,406,814.26
Debits to surplus:				
Earnings receivable from Insull, Son & Co. (Inc.), reversed.....	1,547,597.46		1,123,392.01	424,205.45
Write-down to market value of securities of Insull Utility Investments (Inc.), reacquired.....	1,597,269.33	4,002,616.26		5,599,885.59
Reserved for notes and accounts receivable.....	6,000,000.00	4,000,000.00		10,000,000.00
Reserved for investment securities loaned.....	12,000,000.00	100,000.00		12,100,000.00
Dividends paid:				
Cash.....	2,950,178.66		57,352.71	2,892,825.95
Common stock.....	4,072,400.10			4,072,400.10
Total debits.....	28,167,445.55	8,102,616.26	¹ 1,180,744.72	35,089,317.09
Surplus, end of period.....	¹ 8,380,875.62	¹ 6,260,927.91	¹ 1,040,699.30	15,682,502.83

AFFILIATIONS SCHEDULE

Taxable year ended December 31, 1931.

Parent corporation: Insull Utility Investments (Inc.).

Address: 72 West Adams Street, Chicago, Ill.

The information required below must be submitted for all corporations which are affiliated. This includes all corporations in which at least 95 per cent of the stock is owned directly by the parent corporation, and in which an aggregate of at least 95 per cent of the stock is owned directly by the parent corporation and/or one or more of the other corporations, the income of which is included in the consolidated returns. See section 141 of the revenue act of 1928, and articles 711 to 715 of regulations 74 and articles 1 to 16 of regulations 75.

No.	Name and address of corporation	Date of incorporation	State or country in which incorporated	Capital stock outstanding at beginning of year (par value)		Stock holdings at beginning of year		
				Per share	Total	Number of shares	Per cent	Owned by corporation, number—
1	Parent corporation: Insull Utility Investments (Inc.).	December, 1928...	Illinois	-----	-----	1 3,546,411	-----	-----
2	Subsidiary corporation: Insull, Son & Co. (Inc.), 72 W. Adams St., Chicago, Ill.	August, 1924....	do....	\$100	\$2,000,000	20,000	100	1

¹ Shares (all classes) having no par value.

Changes in stock holdings during the year, no change.

We, the undersigned president and treasurer of the parent corporation, being severally duly sworn, each for himself deposes and says that the above information and statements have been examined by him and are, to the best of his knowledge and belief, true and complete for the taxable year as stated.

P. J. McELLOE,
Vice President.
JOHN F. O'KEEFE,
Treasurer.

Mr. PECORA. Now, Mr. Insull—

Mr. INSULL (interposing). I notice here under "Deductions" as I said before, and I can not testify to income tax because I do not know much about it, but the explanation of these discrepancies may exist in these deductions, in items 12 to 24. I notice here such things as dividends \$4,441,346.20, that is treated as a deduction. I do not know why it is so treated, but I mention it as possibly explaining certain deductions allowable under the income tax law, that perhaps those figures in items 12 to 24 may properly reconcile that statement on an accounting basis with the annual reports.

Senator BROOKHART. Do you mean to say by that, that dividends paid to stockholders are deducted from the earnings of the company?

Mr. INSULL. I do not know what that means. But quite naturally this raises a question in my mind. Shall I look at this report to see what the deductions were?

Senator BROOKHART. The Federal income tax law as to corporations has no such provision as that.

Mr. INSULL. I have never heard of it.

Mr. PECORA. Mr. Insull, during the years covered by these two reports, 1930 and 1931, did Insull Utility Investments (Inc.) offer and sell its securities to the public on the basis of a return of the net earnings that have been reported in these two pamphlets?

Mr. INSULL. In 1930 and 1931?

Mr. PECORA. Yes.

Mr. INSULL. Yes, sir; through dealers.

Mr. PECORA. Through dealers?

Mr. INSULL. Yes, sir.

Senator BROOKHART. And through banks?

Mr. INSULL. I do not know. Did you say the Insull Utilities sold through banks?

Senator BROOKHART. That is my question.

Mr. INSULL. Senator, the Insull Utilities in 1930, in January, sold to Halsey, Stuart & Co. an issue of debentures, and I think some of those—and that is purely hearsay on my part, but you can develop it because advertisements were printed—I think those securities were also distributed by banks. But so far as the company knew we sold them to Halsey, Stuart & Co.

Senator BROOKHART. On the basis of these net earnings as shown in these reports?

Mr. INSULL. Yes, sir.

Senator BROOKHART. And then after showing those great earnings or income, the income tax report showed losses in each case?

Mr. INSULL. I do not know that it is so in each and every case, but as reported.

Senator BROOKHART. In this last case, where there were shown something like \$4,000,000 of net earnings there was shown a loss of some \$9,000,000 on the income tax report?

Mr. INSULL. Yes; there is a \$9,000,000 loss shown, but I think the earnings as shown were about \$5,000,000.

Mr. PECORA. Mr. Insull, I asked you before if you were not a member of the finance committee of Insull Utility Investments (Inc.), and you said yes, I believe.

Mr. INSULL. Yes.

Mr. PECORA. And if that finance committee met at frequent intervals.

Mr. INSULL. Yes, sir.

Mr. PECORA. That is, about every week.

Mr. INSULL. About every Monday morning.

Mr. PECORA. I show you this book entitled "Insull Utility Investments (Inc.) Finance Committee," and ask you if you recognize it as being the original minute book of the finance committee of that corporation.

Mr. INSULL. If I might ask Mr. McEnroe, as it is his signature.

Mr. PECORA. All right.

Mr. INSULL. Yes; this is the book.

Mr. PECORA. Now, may I have it back again?

Mr. INSULL. Yes; certainly.

Mr. PECORA. You were quite regular in your attendance at the meetings of the finance committee, were you not?

Mr. INSULL. Yes, sir; I attended every time I was in town, and I was in town the most of the time.

Mr. PECORA. Let me call your attention to the following excerpt from the minutes of the regular meeting of the finance committee of Insull Utility Investments (Inc.), held on Monday, July 29, 1929, which I will read from page 54:

The president then reported that he had made application through Goldman, Sacks & Co. (Inc.) for participation in the underwriting syndicate of 25,000 shares of optional 6 per cent preference stock, at \$50 par value, and 25,000 shares of no par common stock of the Shenandoah Corporation, but that he had done so with the knowledge that he would need 1,000 shares of each class of stock to take care of certain people.

Do you know what that refers to?

Mr. INSULL. Do you mean to the Shenandoah Corporation?

Mr. PECORA. No; to take care of certain people. What was that?

Mr. INSULL. No, sir; I do not.

Mr. PECORA. You were present at that meeting, were you not?

Mr. INSULL. Yes, sir.

Mr. PECORA. And the chairman referred to in that entry was your father, was he not?

Mr. INSULL. Yes, sir.

Mr. PECORA. Haven't you any recollection of what that item from the minutes of that meeting refers to?

Mr. INSULL. No; except that I have only the impression that he did not tell me who the 1,000 shares were for, or I would probably have remembered it. He might have told me and I might have forgotten it.

Mr. PECORA. Do you know any people whom your father was under obligation to at that time to take care of?

Mr. INSULL. No; not in this sense—I mean except in this sense, that he was supporting members of his family and that sort of thing.

Mr. PECORA. Was he supporting members of his family at the expense of this corporation?

Mr. INSULL. No, sir.

Mr. PECORA. Was it a usual thing for a request of the kind I have read to be made to the members of the finance committee, to take care of certain people?

Mr. INSULL. Well, I do not draw the inference from this—

Mr. PECORA (interposing). No; I am simply asking now if that was the usual thing.

Mr. INSULL. No, sir.

Mr. PECORA. Is this the only instance you can recall where such a request was presented or reported to the finance committee for consideration?

Mr. INSULL. The only one I recall, although there might be others.

Mr. PECORA. It being the only one of its kind, don't you recall what your father may have said regarding why it was made, why he was to take care of certain people?

Mr. INSULL. No; quite honestly I do not.

Mr. PECORA. You voted for corporate action that had the effect of enabling your father to take care of certain people in the fashion indicated by the minutes, didn't you?

Mr. INSULL. But in taking care of them I take it as meaning this corporation did not put up the money and the other people get the stock; that a part of the subscription was assigned.

Mr. PECORA. Haven't you any recollection at all as to certain people, as to who the certain people were, that had to be taken care of, according to that minute?

Mr. INSULL. No, sir.

Mr. PECORA. Do you know anybody who would know that?

Mr. INSULL. No; I do not. My father might remember it, and, frankly, he might have forgotten it by this time.

The CHAIRMAN. How may we find that out from him?

Mr. INSULL. I presume, if you want me to, I could write him and ask him.

The CHAIRMAN. I wish you would.

Mr. PECORA. Whose name is signed here?

Mr. INSULL. It is signed by John F. O'Keefe.

Mr. PECORA. Is Mr. O'Keefe here?

Mr. INSULL. Yes; I think so.

Mr. PECORA. Mr. Chairman, might I ask that I be permitted to suspend with this witness while I examine Mr. O'Keefe?

The CHAIRMAN. Yes; Mr. Insull may stand aside for a few moments. (Thereupon Mr. Insull temporarily left the stand.)

The CHAIRMAN. Mr. O'Keefe, hold up your right hand: You solemnly swear you will tell the truth, the whole truth, and nothing but the truth about the matter now under investigation by this committee, so help you God?

Mr. O'KEEFE. I do.

TESTIMONY OF JOHN F. O'KEEFE, 2914 LOGAN BOULEVARD, CHICAGO, ILL.

Mr. PECORA. Mr. O'Keefe, what is your residence, please?

Mr. O'KEEFE. 2914 Logan Boulevard, Chicago, Ill.

Mr. PECORA. What is your business or occupation?

Mr. O'KEEFE. At the present time I am assistant secretary of the Commonwealth Edison Co.

Mr. PECORA. What were you before that?

Mr. O'KEEFE. I have had that position for about four years.

Mr. PECORA. Do you know Mr. Samuel Insull?

Mr. O'KEEFE. Yes, sir.

Mr. PECORA. Have you ever borne any business relationship to him?

Mr. O'KEEFE. Yes, sir.

Mr. PECORA. What kind?

Mr. O'KEEFE. I was his secretary.

Mr. PECORA. Private secretary?

Mr. O'KEEFE. Yes; private secretary.

Mr. PECORA. Were you also an officer or director of any companies that are combined in the so-called Insull group of public utility companies?

Mr. O'KEEFE. Yes, sir.

Mr. PECORA. In how many of them?

Mr. O'KEEFE. About nine.

Mr. PECORA. What was that?

Mr. O'KEEFE. About nine.

Mr. PECORA. You are not sure of the number, are you?

Mr. O'KEEFE. Well, there were some others that would not be classified as public utilities, civic institutions, and so forth, that I was connected with. Mr. Insull was in them.

Mr. PECORA. Were you connected in any capacity with a corporation called Insull Utility Investments (Inc.)?

Mr. O'KEEFE. Yes, sir.

Mr. PECORA. In what capacity?

Mr. O'KEEFE. I originally was assistant secretary and assistant treasurer, elected January 4, 1929. On February 18, 1930, I was elected secretary and assistant treasurer. On July 18, 1930, I was elected treasurer, so that from then on I was secretary and treasurer.

Mr. PECORA. Did you frequently attend meetings of the finance committee of that corporation?

Mr. O'KEEFE. Yes, sir.

Mr. PECORA. During the course of its existence?

Mr. O'KEEFE. Yes, sir.

Mr. PECORA. Will you look at the book that is on the table before you and tell us if that is the original minute book received by the meetings of the finance committee of that corporation?

Mr. O'KEEFE. Yes, sir; it is.

Mr. PECORA. Will you look at the entry commencing at the top of page 52, or rather 54, I believe, and read it?

Mr. O'KEEFE. Yes, sir.

The president then reported that he had made an application through Goldman, Sacks & Co. (Inc.) for participation in the underwriting syndicate of 25,000 shares of optional 6 per cent preferred stock, \$50 par value, and 25,000 shares of no par common stock of the Shenandoah Corporation, but that he had done so with the knowledge that he would need 1,000 shares of each class of stock to take care of certain people, and that he wished to report confirmation from Goldman, Sacks & Co. (Inc.) of the allotment of 7,000 shares in the underwriting syndicate of each class of stock, at a cost of \$456,750.

Mr. PECORA. Is your name signed to the minutes of that meeting as it appears in the book before you?

Mr. O'KEEFE. Yes, sir.

Mr. PECORA. You acted as secretary of the meeting?

Mr. O'KEEFE. Yes, sir.

Mr. PECORA. Have you any recollection at this time of the transactions referred to in the entry you have just read?

Mr. O'KEEFE. I have no definite recollection, but I have a vague recollection of the transaction.

Mr. PECORA. Give us your recollection even though it be vague, the best that you recall.

Senator COUZENS. Might I ask if we are interpreting the taking care of certain persons to have the same meaning as others might have? Does counsel for the committee interpret that to mean that the 1,000 shares are given or are to be sold at the underwriting price? What is counsel's interpretation of that?

Mr. PECORA. I do not know, and that is why I am asking the witness to tell us the meaning of it.

Senator COUZENS. I wanted to know whether it was a gift or was it to go at the underwriting price.

Mr. PECORA. That is what I am trying to find out.

Senator COUZENS. There is a general misunderstanding among some people that that naturally infers a gift, and I do not know that that is conclusive.

Mr. PECORA. It is language capable of intrepertation either way.

Senator TOWNSEND. Suppose we let the witness give us his interpretation.

Mr. O'KEEFE. My recollection of that transaction is, as I say, vague, but Mr. Insull took that participation I think after consulting a fellow named George Pick, who was an investment banker in Chicago, and my impression is—however, I should like to check it with the records—that Mr. Pick stated to Mr. Insull that of the amount taken by Insull Utility Investments (Inc.), he would take this amount referred to in the minutes, purchased at the same price apparently for which it was sold to the Insull Utility Investments. That is my recollection of the transaction. It happened in July of 1929, however.

Mr. PECORA. If that was the transaction was there any reason for not making mention in the minutes of the name or names referred to in the minutes as the certain people who had to be taken care of?

Mr. O'KEEFE. I do not think so. I would not think so.

Mr. PECORA. You wrote those minutes, didn't you?

Mr. O'KEEFE. Yes, sir.

Mr. PECORA. Did you prepare them yourself or were they prepared by some one else and signed by you?

Mr. O'KEEFE. They may have been prepared by the attorneys with me. Sometimes they used to dictate minutes to me, and sometimes I would write them myself.

Mr. PECORA. As a matter of fact, were not the most of these minutes prepared or dictated by attorneys instead of being written by you as secretary or assistant secretary?

Mr. O'KEEFE. Sometimes they were and sometimes they were not.

Mr. PECORA. But more frequently they were, isn't that correct?

Mr. O'KEEFE. No; I do not think so, especially in the case of the finance committee, where the most of them were just presentation of the weekly statements.

Mr. PECORA. Who were the attorneys you have in mind as possibly having prepared those minutes?

Mr. O'KEEFE. Mr. Waldo F. Tobey, of Isham, Lincoln & Beale.

Mr. PECORA. Mr. Chairman, I will now resume with Mr. Samuel Insull, jr.

(Thereupon, Mr. O'Keefe left the committee table.)

The CHAIRMAN. All right, Mr. Insull, please come around again to the committee table.

TESTIMONY OF SAMUEL INSULL, Jr.—Resumed

Mr. PECORA. Mr. Insull, you were also a member of the board of directors during the year 1929 of Insull Utility Investments (Inc.), were you not?

Mr. INSULL. Yes, sir.

Mr. PECORA. How frequently did the board of directors meet?

Mr. INSULL. I think the records will show, but about quarterly.

Mr. PECORA. Quarterly?

Mr. INSULL. That is my recollection.

Senator TOWNSEND. That is, four times a year?

Mr. INSULL. About four times a year. That was the general scheme, but I think the records will show how often they did meet. I don't know whether it shows in this book or in the other one.

Mr. PECORA. Were you connected with a company called Insull, Son & Co. (Inc.)?

Mr. INSULL. Yes, sir.

Mr. PECORA. In what capacity?

Mr. INSULL. I think I was a vice president, or secretary. I was not very active. May I again consult Mr. O'Keefe?

Mr. PECORA. Do you have to consult Mr. O'Keefe in order to tell us what office you held in that company?

Mr. INSULL. At any particular year that I was occupying an office. I would like to inquire of him.

Mr. PECORA. All right.

Mr. INSULL. The offices changed, and I am not sure at what time they did change. That is, in 1929?

Mr. PECORA. Yes.

Mr. INSULL. I was secretary.

Mr. PECORA. You were secretary then?

Mr. INSULL. Yes, sir.

Mr. PECORA. What was the general business of that company?

Mr. INSULL. Its general business was of two kinds. Distribution of securities, and acting as fiscal agent for syndicates.

Mr. PECORA. When you say that its business was that of distribution of securities, don't you really mean that it was a trading company?

Mr. INSULL. No; it owned. Its original business, going way back, it owned stock of a corporation known as Insull, Son & Co. (Ltd), which had offices in London and sold securities in London.

Mr. PECORA. Didn't it also sell securities in America through the medium of the various exchanges?

Mr. INSULL. Yes; I think it did. I was not active in that concern. I was secretary, and acted as secretary at the meetings.

Mr. PECORA. Did you draw any salary from it?

Mr. INSULL. No.

Mr. PECORA. Are you sure of that?

Mr. INSULL. Pretty sure of that. Let me inquire of Mr. O'Keefe.

Mr. PECORA. Who was the operating manager of the business of that company during the year 1929?

Mr. INSULL. Mr. E. V. Graham.

Mr. PECORA. It is a fact, isn't it, that during the years 1929, 1930, and 1931 this company, called Insull, Son & Co. (Inc.), handled many so-called syndicate accounts for the common stock of Insull Utility Investments (Inc.)?

Mr. INSULL. Yes, sir; I am so informed.

Senator BROOKHART. Mr. Chairman, I should like to ask a few questions in reference to those net incomes and the income tax reports. A part of it, as it seems to me, might be explained here. I do not know about all of it, and we want to be fair about it at least.

The CHAIRMAN. Proceed, Senator Brookhart.

Senator BROOKHART. Mr. Insull, take the report of Insull Utility Investments (Inc.), of December 31, 1930. What are the total stock dividends of that year?

Mr. INSULL. The stock dividends were \$5,051,832.04. Those would not be in the income.

Senator BROOKHART. In the tax return?

Mr. INSULL. That is my understanding.

Senator BROOKHART. But your net income is over \$10,000,000 there, isn't it?

Mr. INSULL. Yes, sir.

Senator BROOKHART. How do you figure out that discrepancy between five million and odd dollars and ten million and odd dollars? What does that income tax return show for that year? I have forgotten that, but if you will refer to that, please tell me.

Mr. INSULL. That is for the year 1930. These are not marked so I can tell the years, I am afraid.

Senator BROOKHART. That year is among those papers there.

Mr. INSULL. I know it is. Here are some annual statements, but the years are not marked on them. Might I ask counsel what year they are for?

Mr. PECORA. Here it is, for the calendar year 1930.

Mr. INSULL. That is the one. Well, I do not know that I can make a full reconciliation of this. I notice in the deductions from income there is an item of dividends of \$4,158,032.

Senator BROOKHART. That would still leave over \$6,000,000 income to pay taxes on.

Mr. INSULL. Well, that, as I take it here, is an offset against—that is the cash dividend item, because it is within a few hundred thousand dollars of the cash dividends item of \$4,326,473.

Senator BROOKHART. There is no tax return because it is a tax—or I mean cash dividends.

Mr. INSULL. I think if you receive cash dividends where the income was taxed at the source—and I hope I am not testifying now about income taxes—but it is my impression there was a deduction from the income tax; not from the super tax but the income tax.

Senator BROOKHART. This is the source where the tax is paid, isn't it?

Mr. INSULL. No; my impression is, and I think an accountant could clear it up better than I can, but that these cash dividends received by Insull Utility Investments (Inc.), are allowed as a deduction from the income for tax purposes, because those dividends had the tax paid on them by the corporations which originally paid them to Insull Utility Investments (Inc.)

Senator BROOKHART. By the holding corporations themselves?

Mr. INSULL. Yes, sir. And then I notice this figure you mention of stock dividends, isn't taken into the income at all. Well now, there is a discrepancy. That would outline a discrepancy, and the two together, and if my reasoning is right, they would be \$5,051,000 and \$4,158,000, which makes \$9,200,000. Now, I will see if there are other items. Here is sale of rights—no—yes, sale of rights, which as I recall it was for cash, \$3,681,078.17, which isn't in this income. A part of it may be in, but it is not in as that. I am sorry not to be able to answer your question.

Senator BROOKHART. We will take it up with other witnesses more familiar with it than you are.

Mr. INSULL. Yes. I am not much of an income tax expert.

Mr. PECORA. Let me have that minute book, Mr. Insull.

Mr. INSULL. All right.

Mr. PECORA. Let me call attention to the following excerpt from the minutes of the regular meeting of the finance committee of Insull

Utility Investments (Inc.), held on November 25, 1929, at which you were referred to as having been present, and which is taken from page 92 of the minute book:

The president said that in all statements that had, to date, been made in regard to the assets of the company, the value of the stock of Insull, Son & Co. (Inc.), had been taken at the amount paid for it, namely, \$1,250,000, and that he thought in all statements hereafter made, whether at meetings of this committee or publicly, the value should be given this stock which would be more nearly correct. The value of the stock was then discussed from the standpoint of earnings, and so forth, and, upon motion, duly made and seconded, it was unanimously voted that in all statements hereafter made in respect to the assets of the company, the value of the stock of Insull, Son & Co. (Inc.), should be reckoned at \$5,000,000, but that no change in the value of the stock should be made upon the financial books of the company.

Do you recall the transaction that culminated in the adoption of that motion?

Mr. INSULL. I recall that, and I also seem to recall a subsequent—oh, yes—no—well, I recall that, and I recall the discussion.

Mr. PECORA. What was the discussion? Give us just the substance of it.

Mr. INSULL. It was very brief. That company had been owned by the Insull family, and was put into Insull Utility Investments (Inc.), at a value of one and one-quarter million dollars. There was no market for the stock. That was on, I think, a 20 per cent earning basis, based on previous earnings. Yes; that is about right, or a little less than that, on an 18 per cent basis. In the year 1929 that company earned—and this was the subject of discussion, that it was going to earn, since we could tell then, something above a million dollars.

Mr. PECORA. It was going to earn?

Mr. INSULL. Well, it had earned up to that date, and that was November 25—

Mr. PECORA (interposing). November 25, 1929.

Mr. INSULL. Yes, sir. And there would be only 35 days to the end of the year. Or I will put it more properly: The statement of the year up to November 25 actually, and from then on estimated, only 35 days being estimated, showed something over a million dollars, and the discussion was that it should therefore be taken at a value on approximately the same basis, as the basis for the value it was put in, namely, about 18 or 20 per cent. That is very general, but I just happen to recollect that.

Mr. PECORA. Well, what was the purpose of this action which had for its effect the reporting to the public of a value of \$5,000,000 for the stock of Insull, Son & Co. (Inc.), all of which was owned by Insull Utility Investments (Inc.), and carrying it on its books at the cost of that stock, to the latter company, \$1,250,000?

Mr. INSULL. Well, I don't know. I will suggest that—I have got the impression that the book figure was later changed.

Mr. PECORA. Can't you answer that question, with regard to what was done on November 25, 1929?

Mr. INSULL. Yes.

Mr. PECORA. All right. Please do so.

Mr. INSULL. I have just said I remember the discussion.

Mr. PECORA. What was the purpose of doing this?

Mr. INSULL. Well, I remember asking myself that question at that time. [Laughter.]

Mr. PECORA. Well, did you get an answer to it?

Mr. INSULL. Yes; because I gave myself time to answer.

Mr. PECORA. Do you mean that you answered the question?

Mr. INSULL. To myself.

Mr. PECORA. Oh. I see.

Mr. INSULL. I said I asked myself that question. And the discussion was—I was looking over it—there was no other discussion, and no other motive than a revaluation along the line of having the books reflect as nearly as possible at that time, or rather the then value of the stock.

Mr. PECORA. What was referred to by the committee?

Mr. INSULL. I, frankly, asked myself: Why do it?

Mr. PECORA. And how did you answer yourself?

Mr. INSULL. Well, the argument put up—or I asked some other people, and the argument put up, which satisfied me at the time—was that it was a good thing to have the books reflect a permanent investment, which has no market value, as nearly as possible at the estimated real value.

Mr. PECORA. All right. The books, according to this motion, were to carry the value of this stock as \$1,250,000. Is that what you referred to as the real value?

Mr. INSULL. No. I am saying that I am under the impression the book value was later changed.

Mr. PECORA. But I am asking about November 25, 1929, not about what took place later.

Mr. INSULL. Well, I mean almost immediately, in the next published statement.

Mr. PECORA. Well, for the present let us stick to November 25, 1929, and as to what was done later we will come to in a few minutes.

Senator FLETCHER. The effect was to increase the assets of Insull Utility Investments (Inc.) over \$4,000,000.

Mr. INSULL. Yes, sir; three and three-fourths million dollars.

Mr. PECORA. The effect was to report to the public that increase, but to keep it on the books actually as it was, is that right?

Mr. INSULL. No, sir. That is what I am saying. I am not sure that that was done, but I am under the impression it was not.

Mr. PECORA. Have you any further explanation to make of the reason why this action was taken by the finance committee on November 25, 1929?

Mr. INSULL. No, sir. As I stated, at the time I looked around in my own mind for a reason, and I could not get any, except to try to have the books reflect as nearly as possible the real value of that investment, or rather the statement.

Mr. PECORA. The members of the finance committee who attended that meeting, according to the minutes of the meeting, were Samuel Insull, Martin J. Insull, W. S. Brewster, and yourself?

Mr. INSULL. Yes, sir.

Mr. PECORA. Did the other members of the committee ask themselves, if you know, the same question, and get an answer?

Mr. INSULL. We had a general discussion.

Mr. PECORA. Did you all get the same answer, and was it that which prompted you to adopt this motion?

Mr. INSULL. Yes, sir.

Mr. PECORA. Mr. Chairman, I want to shorten at this time the examination of this witness, so I will go out of the chronological order, if I may, and interrogate the witness about another phase of this

picture, but with the right to come back later and resume the chronological order of the evidence.

The CHAIRMAN. That may be done.

Mr. PECORA. Mr. Insull, do you recall that large bank loans were made to the Insull Utility Investment (Inc.), and to the Corporation Securities Co. of Chicago, during the years 1930 and 1931?

Mr. INSULL. Yes, sir.

Mr. PECORA. What was the aggregate amount, the largest amount outstanding of the aggregate of those loans?

Mr. INSULL. I could not recall that from memory. Do you mean of the two together?

Mr. PECORA. Yes, sir.

Mr. INSULL. This is purely my recollection, and I have missed some figures in it before, but it was around or slightly over \$75,000,000.

Mr. PECORA. Wasn't it over \$80,000,000 for the two?

Mr. INSULL. It may well have been. I have the figures in my head of about \$50,000,000 for Insull Utilities, and I don't remember whether it was \$27,500,000 or \$32,500,000 for Corporation Securities.

Mr. PECORA. About when did those loans reach the highest aggregate figure?

Mr. INSULL. I do not remember that. These figures I have in my mind are, as they state, on December 16, 1931, a date I remember pretty well.

Mr. PECORA. That is exactly four months to the day prior to the date when these two companies went into equity receivership; is that right?

Mr. INSULL. Yes, sir. I remember it, however, as the date when I started out to try to negotiate the so-called standstill agreement. Well, I won't say negotiate, but when I began acting as messenger between the corporation and its creditors, to try to bring about a standstill agreement between it and the banks.

Mr. PECORA. Do you recall that when you were engaged in your efforts to bring about a standstill agreement with the banks, that you had any communication with Mr. Owen D. Young?

Mr. INSULL. No; I did not.

Mr. PECORA. Your father did?

Mr. INSULL. So I am told.

Mr. PECORA. And that was about in December, 1931, wasn't it?

Mr. INSULL. Yes.

Mr. PECORA. May I ask, Mr. Chairman, that the examination of this witness be suspended at this point so that the committee may hear Mr. Young, who is present?

The CHAIRMAN. There being no objection it is so ordered.

Mr. PECORA. But that this witness be permitted to remain within call preparatory to a resumption of his testimony.

The CHAIRMAN. It is so understood.

(Thereupon, Mr. Insull temporarily left the committee table.)

Mr. PECORA. Mr. Young, please.

The CHAIRMAN. Mr. Young, please hold up your right hand. You solemnly swear to tell the truth, the whole truth, and nothing but the truth regarding the matter now under investigation by this committee, so help you God?

Mr. YOUNG. I do.

TESTIMONY OF OWEN D. YOUNG, VAN HORNESVILLE, N. Y.

Mr. PECORA. Mr. Young, will you give the committee reporter your residence and your business, occupation or profession?

Mr. YOUNG. My name is Owen D. Young. My residence is Van Hornesville, N. Y. I am chairman of the board of directors of the General Electric Co. and chairman of the executive committee of the Radio Corporation of America.

Mr. PECORA. How long have you been chairman of the board of directors of the General Electric Co.?

Mr. YOUNG. Since May of 1922.

Mr. PECORA. Will you state the general business of that company? Is it to generate, transmit, and sell electrical power?

Mr. YOUNG. No, sir. Its business is to manufacture electrical apparatus for the generation and transmission by others of electrical power.

Mr. PECORA. In the operation of its business did it have many business transactions with the so-called Insull group of public utility companies?

Mr. YOUNG. Very many.

Mr. PECORA. Over many years?

Mr. YOUNG. During its entire life.

Mr. PECORA. Mr. Young, did you personally know Mr. Samuel Insull of that group?

Mr. YOUNG. I did.

Mr. PECORA. Do you recall in December of 1931 whether or not the General Electric Co. made a loan to any companies embraced within the so-called Insull group of public utilities?

Mr. YOUNG. It did.

Mr. PECORA. When was the loan made, if you can give us the specific date?

Mr. YOUNG. The loan I think was actually made on December 22, 1931.

Mr. PECORA. Well, now, Mr. Young, with as little questioning on my part as may be necessary will you tell the committee in your own way the general circumstances surrounding the making of this loan?

Mr. YOUNG. Mr. Insull came in to see me in December, the early part of December.

Senator FLETCHER. 1931?

Mr. YOUNG. Yes. And I have been able to fix the date since the bankruptcy hearing, Mr. Chairman, by a memorandum in Mr. Swope's possession as December 10, 1931.

Mr. Insull said that he would like to talk with Mr. Swope and me about obtaining a loan of \$2,000,000 from the General Electric Co.; that he would deposit as collateral for that loan securities having a market value of 40 per cent in excess of the amount of the loan; and that he would undertake to keep the collateral with that margin during the life of the loan. And that, by way of further assurance to us as to the loan and of the fact that the collateral would have his personal attention, he offered to indorse the loan personally.

Senator FLETCHER. How long was the loan to run?

Mr. YOUNG. The details of it were not discussed in that conversation. But, as a matter of fact, the loan was made for six months, Senator.

Mr. PECORA. Please go ahead.

Mr. YOUNG. Mr. Insull did not at that time state to which of his companies he desired the loan. And, of course, it was not a matter of great importance to me which of the companies was the borrower because I was relying upon the value of the collateral deposited, upon the agreement to maintain the collateral with the stated margin of 40 per cent, and on Mr. Insull's personal indorsement.

Mr. Swope and I discussed the matter of making the loan to Mr. Insull, in his presence. He recalled the fact that in the earlier years the General Electric Co. had made him loans, or loans to his companies; that they had all been paid, and that he had not asked for accommodation from the General Electric Co. since 1915. During all that period he had been a very large customer of the company, the purchases running each year into many millions of dollars.

Mr. Swope and I, in the light of Mr. Insull's statement, the satisfactory relationship of his companies to the General Electric Co., the fact that his companies had always paid promptly their bills to us, amounting to many, many millions of dollars each year, we agreed to recommend to our executive committee the making of the loan requested.

Mr. PECORA. If I may interrupt right there. The Mr. Swope, to whom you have referred, is Mr. Gerard Swope?

Mr. YOUNG. Mr. Gerard Swope, president of the General Electric Co.

Senator COSTIGAN. Did Mr. Insull explain the reason for requesting of you this particular loan?

Mr. YOUNG. He did to Mr. Swope. I do not recall that he made the statement to me. But he explained to Mr. Swope, if I may be permitted to speak of hearsay.

Mr. PECORA. Very well.

Mr. YOUNG. He explained to Mr. Swope that the banks, that some banks which were loaning to his companies, had requested a diminution of their loans, and that he would like this loan from the General Electric Co. for the purpose of diminishing his bank loans.

Mr. PECORA. Did he specify which banks had taken that attitude, Mr. Young?

Mr. YOUNG. My recollection is that Mr. Swope told me that the Central Hanover was one, and I do not recall whether there were others or not. That is, the Central Hanover in New York.

Mr. PECORA. Yes, sir. Go ahead.

Mr. YOUNG. It was understood at this first conversation that Mr. Insull would work out the details of the loan, that the details of the loan were to be worked out by Mr. Swope and Mr. Insull and Mr. O'Keefe later. And I think then Mr. O'Keefe came in to see Mr. Swope, and the loans and the collateral were arranged. When that was done Mr. Swope and I asked at least three members of our executive committee, who were not members of the General Electric organization other than as directors, in fact three bankers, whether they would approve our making of the loan. They expressed informally their approval, and therefore the loan was made on the 22d of December, 1931, although it was not formerly ratified by the execu-

tive committee until its next regular meeting subsequently, on December 29, I think, or 30. Yes, it was December 30, 1931.

Mr. PECORA. Might I interrupt again? Was this loan made in the form of one loan or was it divided up into several loans?

Mr. YOUNG. There were three loans.

Mr. PECORA. To whom were they made and in what amounts, respectively?

Mr. YOUNG. May I refer to the minutes of the executive committee to make sure that my statement is correct?

Mr. PECORA. If you will.

Mr. YOUNG. \$500,000 to Insull Utility Investments (Inc.), the note to run for six months, and to bear interest at the rate of 5 per cent per annum. The collateral that was given for this loan was approximately 31 per cent in excess of the face value of the note.

One million dollars to Corporation Securities Co. of Chicago. The note to run for six months, to bear interest at the rate of 5 per cent, and collateral was given for this loan to approximately 30 per cent in excess of the face value of the note.

Five hundred thousand dollars to Middle West Utilities Co. Note to run for six months, bearing interest at the rate of 5 per cent, collateral to be given for this loan was approximately 69 per cent in excess of the face value of the note.

Mr. PECORA. Mr. Young, can you tell the committee the general nature of the collateral that was placed against these loans?

Mr. YOUNG. I will give you exactly the collateral.

The note of Insull Utility Investments (Inc.), carried 15,000 voting trust certificates of common stock of North American Light & Power Co., having a market value at that time of 20 or \$300,000; 25,999 shares of Midland United Co. common stock at 6, or \$155,994; 390 shares of Peoples Gas Light & Coke Co. capital stock at 117, making \$45,630; 1,000 Midland Utilities Co. 7 per cent prior lien stock at 47, making \$47,000; 2,700 Midland Utilities Co. 6 per cent prior lien stock at 40, making \$108,000, or a total value of collateral against that note at the then market prices of \$656,624.

The following additional collateral was put up, was to be sent from Chicago: 1 share Midland United common stock at 20, which added \$20 to the total; 27 shares of Midland Utilities 6 per cent prior lien stock at 40, making \$1,080, or a total collateral against the note of \$657,724.

Senator FLETCHER. Was that additional collateral sent?

Mr. YOUNG. I think it was.

Mr. PECORA. Go ahead.

Mr. YOUNG. The note of Corporation Securities Co. for \$1,000,000, carried the following collateral: 529 shares of Central & Southwestern Utilities Co. at five and three-fourths dollars, \$4,175; 10,000 shares of Middle West Utilities Co. preferred at 37, \$370,000; 136,246 shares of Middle West Utilities Co. common at 6, \$817,776; 691 shares of Commonwealth Edison Co. stock at 117, \$80,847; 6,622 shares of Insull Utility Investments (Inc.) common at 5¼, \$38,077, or a total collateral market value at that time of \$1,310,875.

The note of the Middle West Utilities Co. for \$500,000 carried the following collateral: 33,411 voting trust certificates for common stock of North American Light & Power Co. at \$20, making \$668,220; 3,000 Midland United Co. 6 per cent preferred at 40, \$120,000; 15,000

shares of Central & Southwest Utilities Co. common at 5%, \$86,250, making a total collateral value against that note for \$500,000 of \$874,470.

Senator FLETCHER. Did Mr. Insull indorse the notes?

Mr. YOUNG. He indorsed the notes personally; yes, Senator.

Mr. PECORA. Now, Mr. Young, what subsequently occurred with respect to those loans, or the proceeds of those loans?

Mr. YOUNG. I do not know what occurred with reference to the proceeds of the loans. The sums were paid to the companies borrowing.

Mr. PECORA. Do you recall that in February of 1932, following the making of those loans, you had some conferences with Mr. Samuel Insull, and with certain bank officers with respect to the bank loans to the Insull companies?

Mr. YOUNG. I do.

Mr. PECORA. Will you tell the committee generally the substance of those conferences and the circumstances under which they were held?

Mr. YOUNG. Some time about the middle of February, 1932, Mr. Insull came to me and said that he and his associates had been arranging for a standstill agreement by the bank creditors of their companies, explaining that by standstill he meant that all banks would extend their loans to a definite date in the future; that the banks generally were agreeable to doing that but that the Central Hanover Bank in New York and the Irving Trust Co. in New York had not agreed to the standstill, and that therefore the agreement of course was not binding on the other banks, because each bank had undertaken to enter the standstill only on condition that all agree.

Mr. PECORA. Was the purpose of this so-called standstill agreement made known to you at the time, Mr. Young?

Mr. YOUNG. I think so. And it was quite obvious in any event without an explanation, that it was necessary in view of the financial situation at that time, that none of those bank loans should mature because there would be no way by which the company could meet the maturing loans. And I think Mr. Insull felt, and the banks felt broadly, that it was better under those conditions to extend the loans provided they all matured at the same time, and not state different maturities at different times lest it might result either in the precipitation of bankruptcy of the company, or might result in some of the banks procuring advantages due to earlier maturities which the later ones would not obtain.

Mr. PECORA. Well, did you have any conferences with regard to the situation as it then existed, particularly with regard to the desirability of the banks entering into this standstill agreement, with any bank officials?

Mr. YOUNG. I did. Mr. Insull asked me if I would undertake to find out the reason why the Central Hanover and the Irving Trust Co. were withholding their assents to the standstill. I told him I would endeavor to do so, and as a result I had several interviews with Mr. Louis Pierson, the chairman, and Mr. Ward, the president, and Mr. Matthews, the vice president of the Irving Trust Co., and also several talks with Mr. Davison and Mr. Gray, the chief executive officers of the Central Hanover.

They explained to me that their hesitation about entering the standstill was that they felt they had no adequate information as to

the current activities of the Insull companies, and that they did not feel at liberty to rely on the reports of the Chicago banks, or the check of the Chicago banks, on those activities, which they would naturally do, for the reason that the collateral in the New York banks differed from that in the Chicago banks, and that therefore while the Chicago banks would be interested in checking the transactions which affected their collateral, they would not be so interested in checking the transactions which affected the collateral of the New York banks.

I later had some talks with other bankers, lending money to the Insull companies, such as the Bankers Trust Co., and Mr. Potter of the Guaranty, and I found that all the New York banks had that same apprehension about the Insull situation. The structure was very complicated, the movement of funds between those companies was difficult to follow, and the New York banks felt that if they were to agree to a standstill they should have better sources of information.

Senator BROOKHART. Did this loan of yours take the place of any of the New York banks?

Mr. YOUNG. Oh, no. The New York bank loans were very large. This small loan of ours of \$2,000,000 made a slight impression on the situation.

Senator BROOKHART. And if they should agree to the standstill—

Mr. YOUNG (continuing). May I go on with the story?

Senator BROOKHART. Yes.

Mr. YOUNG. Finding this apprehension on the part of the New York banks, which seemed to me entirely justified so far as they were concerned, and that their request for some avenue of information was proper, I went to Chicago to discuss the matter with Mr. Insull and the representatives of the Chicago banks, to see if some arrangement could not be made by which the New York banks could currently be informed of the transactions of the Insull companies.

I attended a meeting in Mr. Insull's office—and when I say Mr. Insull I mean Mr. Samuel Insull, sr.—at which there were present the representatives of all the principal banks of Chicago. I made the explanation about the feeling of the New York banks, and expressed my view that some arrangement should be made so that a person satisfactory to the New York banks would have current information of the activities of the Insull companies. That was agreed to by Mr. Insull in principle, and by all the Chicago banks, they themselves not wishing to assume the responsibility of checking the situation for the New York banks.

We then had a long discussion in the endeavor to find some one in Chicago who was not connected either as officer or director with the Chicago banks or as officer or director of the Insull companies, and who was competent to make this kind of report. We finally discovered, as a result of discussion, Mr. Arthur Anderson, of Arthur Anderson & Co., well-known public accountants and auditors in Chicago.

Mr. Anderson happened to be free. I mean free from affiliations either with the Insull companies or with the Chicago banks, any official affiliation, I mean. And we tentatively agreed that if Mr. Anderson were acceptable to the New York banks, which I would undertake to ascertain on my return to New York, that he should be given full access by the Insull companies to all current transactions,

and that if he felt any particular transaction was prejudicial to any collateral held by New York banks, that the transaction would not go through until Mr. Anderson had finally approved it.

Mr. Insull also undertook that his company should pay Mr. Anderson for that service.

I had an interview with Mr. Anderson and he was willing to undertake the employment if the New York banks wished him to do so.

I came back to New York, consulted with all representatives of New York banks. Many of them knew Mr. Anderson personally and others knew him by reputation. I found him entirely acceptable to the banks, and then I asked Mr. Anderson to come to New York, undertake to familiarize himself personally with the collateral of each bank, the kind of information which each bank wished to have, and then to go to Chicago and furnish the information.

I have the impression, although I am not certain about this because it was not my business, that the standstill agreement was not formally executed. But I do know that the banks went on after that for some little period to accept Mr. Anderson's report and without precipitating their maturities.

I think that is all, sir, until the later interview, if you would like to have me speak on that.

Mr. PECORA. If you will just continue with the narration.

Mr. YOUNG. I heard very little more about it, except that Mr. Anderson occasionally called me on the telephone, or sent his representative to see me in New York when questions arose in which he was not quite sure himself as to whether or not the particular transaction did or did not affect disadvantageously the collateral of a particular bank. I may have had half a dozen talks with Mr. Anderson, either over the telephone or with his representative in New York, during the period between the latter part of February, when this arrangement was made, and the latter part of March.

Either very late in March or early in April Mr. Insull came on and reviewed again the situation of his companies.

Mr. PECORA. Can you state the substance of what he told you then, Mr. Young, in that review?

Mr. YOUNG. I do not think I can, sir. The whole purpose of the interview related to the question of whether or not those companies could go on. There were some maturities coming along in some of the companies. The detail of it I have forgotten. As the structure was very complicated, and there was no money available in that particular company to meet that maturity, and as I recall it, the question there arose as to whether or not the banks would assent to the transfer of funds by some companies which happened to have available cash to the company which not having the cash was facing the maturity.

As a result of that entire discussion it seemed to me that the transfer of funds between companies could not be longer justified without prejudicing some lenders or some stockholders, and that therefore if those maturities could not be met by the resources of the companies making them, it was much wiser in the interest of all creditors and all stockholders that there be receiverships for those companies, or some other conservation proceeding.

Mr. PECORA. Which companies did Mr. Insull allude to in that general fashion?

Mr. YOUNG. I am unable to recall that.

Mr. PECORA. Were they investment trusts?

Mr. YOUNG. No.

Mr. PECORA. Or operating companies?

Mr. YOUNG. My recollection is that they were some subsidiary holding companies. I do not recall that there were any operating companies involved.

Senator FLETCHER. About what was the aggregate of the indebtedness to the New York banks that was involved?

Mr. YOUNG. I do not think that I can state that, Senator. It would be so much better for you to get it from the books of those companies and get it correctly.

Senator FLETCHER. You spoke of it being a large sum. I thought possibly you might know what would be something like approaching the sum.

Mr. YOUNG. It would not surprise me if the indebtedness to the New York banks by the Insull companies aggregated well toward \$50,000,000, or perhaps more.

Mr. PECORA. It was over \$50,000,000, and to the Chicago banks over \$30,000,000.

Mr. YOUNG. I had the impression it was in excess of \$50,000,000. Now would you like to have me continue?

Mr. PECORA. If you will continue your narration of your conversation with Mr. Insull in April of 1932, regarding bank loans.

Mr. YOUNG. Having expressed the view that in fairness to all those creditors a conservation proceeding, through receivership or otherwise, should take place, and having been very firm in my own view that that was the only right thing to do, Mr. Insull suggested that I invite Mr. Brown of the First National Bank of Chicago, and Mr. Stillwell of the Continental Bank, to come to New York and discuss the matter with us and with the New York bankers. Mr. Brown and Mr. Stillwell came on, and after laying the situation before them, they agreed that the wise course to take was receivership or a conservation proceeding in the interest of all creditors.

I then asked representatives of all the New York banks to come to my office and to discuss with us the same question. They came, and I think it was the unanimous agreement of all that the wisest course and the fairest course under the circumstances was to have a receivership. Thereupon Mr. Insull and Mr. Brown and Mr. Stillwell said: "Well, if there is to be receivership of course those proceedings will take place in Chicago, and we will go back to Chicago and undertake to see that the proceedings are started." That I think was the end of my connection with the matter.

Mr. PECORA. Now, Mr. Young, do you recall that at the time the General Electric Co., in December of 1931, made those loans aggregating \$2,000,000 to the three Insull corporations that you mentioned, there was anything said with respect to using the proceeds in whole or in part of those loans to reduce certain loans then outstanding held by some banks?

Mr. YOUNG. I have already stated that Mr. Swope has said that Mr. Insull explained to him that he expected to use that \$2,000,000 in reduction of some of his bank loans.

Mr. PECORA. Did you in the course of your conversations with the various bank officers you have referred to and with Mr. Insull, and

with your associate, Mr. Swope, learn when those bank loans were made, how they were collateralized, and so on?

Mr. YOUNG. At the time we made our loan I do not think that either Mr. Swope or I knew either the total amount or the character of the collateral against the respective bank loans. Later, when I came in contact with the banks, in February——

Mr. PECORA (interposing). 1932?

Mr. YOUNG. Of 1932, yes. I naturally learned more about it. Although even then there was little occasion for me to go into the matter of the size of the loan or the character of the collateral back of any individual loan. My sole purpose was, as is apparent from what I have said, to aid Mr. Insull and the banks in coming to some agreement, if they could, regarding a standstill, which all then seemed to agree to be in the interest both of the Insull companies and of the creditors.

Of course, I was very much interested in the standstill because from the standpoint of the General Electric Co., not so much because of the loan of \$2,000,000 as because a collapse of the Insull enterprises would have a great and serious repercussion upon the credit of all public utilities in the country; and as public utilities are the largest customers of the General Electric Co. and anything which impaired their credit impaired, of course, quite naturally their buying power from the General Electric Co. and threatened our business. So I was much more concerned about the Insull companies being able to go on from the standpoint of its effect on the business of the General Electric Co., broadly, than on the question of the \$2,000,000 loan.

Mr. PECORA. The solution that was then being sought to the problem was through the means of having the bank creditors of the Insull companies postpone uniformly the debt maturities of their respective loans.

Mr. YOUNG. Yes, sir.

Mr. PECORA. That was the purpose of this so-called standstill agreement?

Mr. YOUNG. Yes, sir.

Mr. PECORA. That standstill agreement was never entered into in any form or way, was it, but more by virtue of an understanding among the banks?

Mr. YOUNG. I think there was to be a formal agreement.

Mr. PECORA. Did all of the creditor banks participate in it, if you know?

Mr. YOUNG. I am not sure about that. I have the impression that some of them signed, but I think the Irving Trust Co. did not sign, although it went along in this arrangement with Mr. Anderson. But it was my impression that it was not formally completed.

Mr. PECORA. But it was informally agreed to?

Mr. YOUNG. Yes.

Mr. PECORA. Now, at any time during your conferences with these various gentlemen concerning that financial situation, was any reference made to the fact that the Insull Utility Investments (Inc.) and the Corporation Securities Co., of Chicago, which were two of the three companies to which your company made its loans in December of 1931, had issued previously millions of dollars of debenture bonds which had been sold to the public?

Mr. YOUNG. No. I recall no mention of the debentures at any time.

Mr. PECORA. Was that situation subsequently brought to your notice?

Mr. YOUNG. It was brought to my notice by Mr. Jacobson in the bankruptcy hearings in New York.

Mr. PECORA. And was that the first time, Mr. Young, that that angle of the situation had been brought to your notice?

Mr. YOUNG. Specifically, yes.

Senator BROOKHART. What was the proposition about those debentures?

Mr. YOUNG. The question which Mr. Jacobson brought to my attention was the clause in the debentures relating to the right of the promisor to pledge property without securing the debentures. And Mr. Jacobson called it to my attention for the purpose of ascertaining whether or not the General Electric Co., through its officers, had notice of that clause in the debentures.

Senator BROOKHART. Did that mean that they pledged securities to you they had no right to pledge under those loans?

Mr. YOUNG. Well, I am unable to say just what the legal aspect of that is. I assumed from Mr. Jacobson's inquiry to me, and his inquiry of others, that he felt if the banks or the General Electric Co. had notice of this particular clause, and had accepted the collateral with that knowledge, that then there was a flaw in their collateral.

Senator BROOKHART. And that they would have to surrender that collateral?

Mr. YOUNG. Or participate in the same way.

Mr. PECORA. That is a proceeding that is now being threshed out in the proceedings in New York, or in the proceedings that were had some weeks ago.

Mr. YOUNG. Yes.

Mr. PECORA. The General Electric Co. has nothing to do with that.

Mr. YOUNG. Nothing.

Mr. PECORA. You referred in the course of your testimony here to the structure of the Insull Companies being a very complicated one.

Mr. YOUNG. Yes.

Mr. PECORA. As chairman of the Board of the General Electric Co., you have found it necessary and advisable through the years to observe and study conditions in the public utility field, have you not?

Mr. YOUNG. I have.

Mr. PECORA. When you refer to the structure of the Insull Companies as being a very complicated one, will you tell the committee just what you mean by that?

Mr. YOUNG. Well, I confess to a feeling of helplessness as I began to examine in February, 1932, the complicated structure of that organization.

Mr. PECORA. Did you find that it embraced a large number of companies of various kinds?

Mr. YOUNG. Great numbers of operating utilities, with holding companies superimposed on the utilities, and holding companies superimposed on those holding companies, investment companies and

affiliates, which made it, as I thought then and think now, impossible for any man however able really to grasp the real situation.

Senator BROOKHART. And all overcapitalized?

Mr. YOUNG. I express no information on that because I do not know. But I say it is impossible for any man to grasp the situation of that vast structure. And if I may add: I should like to say here that I believe Mr. Samuel Insull was very largely the victim of that complicated structure, which got even beyond his power, competent as he was, to understand it.

Senator BROOKHART. Although he created it himself?

Mr. YOUNG. I think all the people in administrative and executive positions in those different units, looking at their particular problem, did the thing which they thought was wise. But if one company needed money and another company had it, and they had control of both companies, they naturally transferred funds from the company which had it to the company which did not have it. And all the way along in this vast structure.

The CHAIRMAN. Resulting in certain loss to stockholders.

Mr. YOUNG. When bankruptcy came it did. If it could have been kept going all obligations would have been paid and there would have been no loss.

The CHAIRMAN. It was so set up that it could not be kept going.

Mr. YOUNG. I would not say that. But I would say it was so set up that it was impossible really for anyone to comprehend its entire aspect; and it was so set up that you could not possibly get an accounting system which would not mislead even the officers themselves of that complicated structure.

Mr. PECORA. Mr. Young, would you say that the system of superimposition of company upon company in a structure of that kind, would easily lend itself to over capitalization of the various companies?

Mr. YOUNG. It would lend itself, I think, to overcapitalization, but it is not that aspect, or not that so much, which disturbs me. It is this: If I am right in thinking that Mr. Insull himself was not able ultimately to understand that structure, how can the ordinary investor, buying shares or buying obligations, especially of the last companies, on the top, how can they be expected to know, or even to inform themselves, conscientious and able as they might be, really as to the value of those securities?

Senator BROOKHART. On that proposition, Mr. Young, isn't there some duty on the stock exchange where those things are dealt in, to protect the public from losses in buying that sort of stock?

Mr. YOUNG. I am not casting reflections on those shares, Senator, at the moment, or on any shares in these holding company groups. All I am pointing out is that I think it is unfortunate that we should have developed such a complicated financial structure.

Senator BROOKHART. Well, is it right that those stocks and bonds should be listed on stock exchanges and sold to the public at large without a duty or any obligation of that kind?

Mr. YOUNG. Well, I think it would be better, stock exchange or no stock exchange, to try and work toward the objective in this country of having these structures simplified.

Mr. PECORA. How would you provide for that, if you care to give the committee your views and suggestions about it?

Mr. YOUNG. I should like to see us work toward the end of having not more than one holding company superimposed on the operating companies in the public utility field.

Senator BROOKHART. Why have any?

Mr. YOUNG. I think there is a very real reason, Senator, for having a holding company. A public utility company, in the first place, has to be organized in the State of its operation, and should be. It does, as Mr. Insull, jr., said this morning, a purely local business. There is a great advantage, not only from the standpoint of connecting different units with transmission, but there is a great advantage on the technical side in unifying those different operating companies; and there is also on the financial side justification for it through diversifying the risk. If you take one operating utility in an industrial community, and another operating utility in an agricultural section which produces cotton, and another operating utility in an agricultural section which produces wheat, and another operating utility perhaps in the fruit district of California, I think you will find that the securities of that holding company, in which all those utilities are grouped—

Senator BROOKHART (interposing). Why do you need to group them?

Mr. YOUNG. Excuse me. Is a safer investment than an investment in any one of those operating companies. For instance, if the cotton crop fails your utility earnings there may go down; if the fruit crop fails they may go down there; if the industry of a particular town is paralyzed they may go down there, but the general average, if you can create a situation where, through holding company, the earnings of these utilities have something like the same diversity that the country itself has, then you get in the security of the holding company a better security through diversification, especially in the common shares, than you would in any one operating company.

Senator BROOKHART. Your idea is that if cotton would be a loss you would charge that to wheat and fruit, and if wheat and fruit would prove a loss it would be charged to cotton?

Mr. YOUNG. No; not at all, Senator. If the earnings of an individual operating company in the Cotton Belt should go down, it may well be that the earnings in the fruit belt may have gone up, and therefore the fruit belt company may be able to continue its dividends even if the Cotton Belt company may have had to suspend them.

The CHAIRMAN. But, as a matter of fact, that has never happened in the history of the United States covering any long period.

Mr. YOUNG. Oh, it is constantly happening that there is a substantial variation in the earnings of these operating units.

The CHAIRMAN. That may be for a year, but I said for a long time. Can you point to any utility where that has been true?

Mr. YOUNG. That is the point. That in each year through these unifications you get something of the same kind of diversity, something of the same kind of safety, that you could not get through a long period with each individual company.

Mr. PECORA. Might not the desirable things that you have referred to be effected through an operating company with branches in the various sections or States?

Mr. YOUNG. You see, in the case of the General Electric Co., which is not a public utility company, we own plants in Fort Wayne,

Ind., in Erie, Pa., in Schenectady, N. Y., in Pittsfield, Mass., in Bridgeport, Conn., in Lynn, Mass., in Philadelphia, Pa., and so we are able to get diversity, because one corporation may own plants located in different communities. But in the case of public utilities, where each unit has to be incorporated within the State of its operation, and subject to the commission of that State, it is impossible to get the same diversity without the use of a holding company. You can only get the same diversity in the public utility field through a holding company, whereas in the manufacturing business you are able to get it by one straight operating company.

Mr. PECORA. You think, though, one holding company would suffice for a number of units of operating companies?

Mr. YOUNG. I should like to see us work toward, and I say work toward because it is important in these sensitive times not to disturb more than we are obliged to the existing structures, but I should like to see us work toward the final objective of not having more than one holding company superimposed on operating units in the public utility field.

Senator BROOKHART. I cited an instance the other day, and I want to cite it again to you: Right out in the center of the Insull organizations, at Hinsdale, Ill., they have a little town of 6,000 or 7,000 people, and which has of course a steam plant for its electric lighting and its service for the whole town, and it is municipally owned and operated. It charges the same rate as the Insull rates in the villages all around it. And it was the only village that had money enough to open the schools in that section this year. It paid for its plant out of earnings, and enlarged the plant. And after that they built a garbage plant, and they paid \$100,000 on the city hall. And now they have canceled the most of the village taxes out of the earnings of that plant, which is right in the center of these Insull utilities that have gone broke under the holding system. Now, isn't it better for those communities to have their own unit than to be tied up with some other community through a holding corporation?

Mr. YOUNG. Well, I do not know anything about the particular instance which you cite, Senator. But I think it fair to say that the electrical art has developed to the point where it is uneconomical to have little producing units in each village of 5,000 or 6,000 people.

Senator BROOKHART. Well, this one has certainly proved economical for that village.

Mr. YOUNG. It may have been there.

Senator BROOKHART. A witness before a subcommittee of this Banking and Currency Committee the other day stated that there were 93 cities and towns in the United States in similar condition to this Hinsdale plant, in that they have entirely abolished the village taxes, and that the rates were lower than public utility rates generally.

Mr. YOUNG. That I do not know about. All that I am trying to say is, and I am not discussing the question of Government ownership; all I am trying to say is that if you are contemplating Government ownership and expecting to get the most economical operation of your units, I think your ownership must cover a larger territory than a single municipality.

Mr. PECORA. Mr. Young, in the course of your testimony, in which you made reference to the Insull structure, you pointed out as I recall it that one of the evils emanating from that kind of structure

was the impossibility of one through any system of accountancy to really soundly appraise the value of the securities sold to the public by the various units of this great structure. Do you recall that?

Mr. YOUNG. Yes, sir.

Mr. PECORA. Have you any suggestion to advance to the committee with respect to the curbing or elimination of that evil, by means of legislation?

Mr. YOUNG. Well, even if we were to succeed ultimately in having only one holding company in the public utility field, I should like to see it so provided that money should move only from the holding company toward the operating companies, except as the operating companies paid for services rendered by the holding company, or paid for capital investment by the holding company. In other words, I should like to see the transfers of funds as between operating companies, and certainly any loaning of funds by operating companies to the holding company, prohibited.

Mr. PECORA. Well, Mr. Young, may I call attention to a suggestion generally along these lines as possibly affording a measure of protection to the investing public from such evils as have been discussed here by you: That a Federal agency be created, patterned very much on the style of the so-called blue sky commissions the various States have created, to pass upon offerings or issues of securities sold throughout the various States, where, for instance, the mails are used in the selling process through the mailing of prospectuses, and so forth, and give that commission or agency the power to license or refuse to license companies issuing such securities and seeking to get them to the investing public through the mails.

Mr. YOUNG. I think if you had one holding company, probably complete publicity regarding its affairs would furnish the necessary check.

Mr. PECORA. Well, such a holding company would be a state organization.

Mr. YOUNG. But I am saying that I think publicity there might furnish the necessary check.

Mr. PECORA. But that would be dependent, wouldn't it, on the law of a particular state in which the holding company was locally domiciled.

Mr. YOUNG. It would. And if there were not adequate provision for full publicity in the state, then it seems to me the Federal law should in some way, if it may be constitutionally done, provide either for commission approval in advance, or, what I think is perhaps as good, provide for very complete publicity, so that investors themselves may know exactly the situation.

Senator FLETCHER. If you had a holding company handling securities and so forth you would not allow these different units to be issuing stocks and bonds and selling them.

Mr. YOUNG. Yes. I think they might, for example, issue bonds. I should hope they would issue them only to a small percentage of the total investment.

Mr. PECORA. Meaning by that, what percentage?

Mr. YOUNG. Well, I should hope that we would not be issuing bonds of operating companies in excess of 50, or at the most, 60 per cent, of the total investment or existing value of those companies.

Mr. PECORA. That is, operating companies?

Mr. YOUNG. Yes. The great advantage of the holding company does not lie so much in the bond issue as it lies in the diversity affecting the common stocks of operating companies.

Mr. PECORA. Now, when you contemplated this combination called the Insull group of public utility companies, that you characterized I think very properly as a very complicated structure, you regarded its structure as virtually being under one control or management.

Mr. YOUNG. I did.

Mr. PECORA. And all the interests of the constituent units or companies in this structure forming a homogeneous structure or organization.

Mr. YOUNG. Forming an organization at least which finally came under the dominating influence of Samuel Insull, sr.

Mr. PECORA. Now, in your consideration of the questions revolving around the difficulties that were precipitated for those companies in December of 1931, through the maturity or the impending maturity of various large bank loans, did you give any consideration to the question from a public standpoint of any of these banks making separate loans to different units in this great structure, to an aggregate that exceeded the legal limit that banks could loan to a single borrower? Do you know what I mean, Mr. Young?

Mr. YOUNG. I do. And of course the multiplication of those companies, one on top of another, leads to the very thing which you outline, and in a sense tends to avoid the restrictions existing in the bank act.

Mr. PECORA. And you think that should be curbed by appropriate legislation?

Mr. YOUNG. I think if we could finally get back to what I am now suggesting, of not more than one holding company in the public utility field, that objectionable aspect from the bank side would automatically disappear. At least it would be impossible for a bank to make more than two—that is, then you could not make ten loans.

Mr. PECORA. The legal limit for national banks which have made loans to any one borrower is 10 per cent of its capital and surplus, is it not, so far as you recall?

Mr. YOUNG. It is my recollection that that is so.

Mr. PECORA. Did you ever hear of that limitation exceeding 15 per cent under any State law?

Mr. YOUNG. Well, I am sorry, but I am not familiar with the State laws in that respect.

Mr. PECORA. Are there any other suggestions you would care to make to the committee, Mr. Young, on this general subject before you leave the stand?

Mr. YOUNG. I think not. Might I inquire whether you are through with me, Mr. Chairman?

Mr. PECORA. I am.

Mr. YOUNG. Might I make this personal statement?

The CHAIRMAN. Go ahead.

Mr. YOUNG. There has been reference made here to the fact that I am personally investing in the Insull companies. I do not wish to burden this committee with a statement about my personal affairs, and have no right to do so, but I should be glad to make an explanation of that for the record if you have any interest in it.

The CHAIRMAN. If it is brief, we have no objection, but it is now about time for us to recess.

Mr. PECORA. Are you referring to your subscription to a certain number of shares of the common stock of Insull Utility Investments (Inc.)?

Mr. YOUNG. I am.

Mr. PECORA. From this list that was put in evidence yesterday?

Mr. YOUNG. I am.

Mr. PECORA. Well, I think the committee would be interested in having anything you have to say so far as it touches you.

Mr. YOUNG. In December of 1928 Mr. Samuel Insull came to me and stated that there were two or three groups who were accumulating or threatening to accumulate large holdings in his operating units, having in mind particularly the Commonwealth Edison Co., Peoples Gas Light Co., Public Service of Northern Illinois, and Middle West Utilities, treating that for this purpose as an operating unit. You will remember that at that time there was a great boom on. Some of us can only barely recall it.

Mr. PECORA. And others painfully recall it.

Mr. YOUNG. Yes, others painfully recall it. In fact, the most of us painfully recall it. And Mr. Insull said that that threat was having a very bad effect upon the morale of his operating organization. They were fearful that those outside groups, who then could buy the shares of those operating companies and sell shares of investment trusts against them even at higher prices than the aggregate value of the market shares they held, would be able in that way to accumulate such a block of shares that they might threaten the existing management. And that the men in important positions in his operating companies were very nervous about it, particularly in view of the fact that he, Mr. Samuel Insull, was getting along in years, and that his natural span of life, in the natural course, would be short; and because his son was not then old enough to come along and take his place.

Mr. Insull said that in order to guard against that situation he had conceived the notion of organizing an investment company, into which he would put some or all the family holdings, and that then that company could issue shares to the public and acquire with the proceeds of those shares additional blocks of these four operating units to which I have referred.

Mr. Insull stated that he hoped, through that machinery, to be in a position to withstand any attempt to thus take the control away, and thereby he would also tend to assure the thousands of men in his operating units, who were devoting their lives to that business, that their position in the management would not be threatened even boastfully.

Mr. Insull said that he would appreciate it very much, and he was sure that his entire operating management would too, if I would personally subscribe for a small block of those shares. That it was not so much the amount I subscribed as the fact that his associates in the company would know that I would be available in the holding company in case anything happened to Mr. Insull. He asked me if I would be willing to invest as much as \$50,000 of my money in that stock. I told him that I thought for that purpose I would. He said: It is obvious that if you are to do that you will have to hold

those shares, because what I am interested in is having you go along permanently with this company as a shareholder, and that is what my operating organization would be interested in.

Mr. Insull said that he had not worked out his plans for his investment company, but that he expected to do so, and that if I would invest something like \$50,000 in it, he would go back to Chicago and when his plans were worked out he would assign to me shares of approximately the value of \$50,000. I had the greatest confidence in him, and I said I would do that, that that would be perfectly satisfactory to me, and if I could aid him in his organization to that effect I would be glad to do so.

I then went abroad on the reparations program in January. I left word with my office to take up any assignment of stock which Mr. Insull made, not exceeding \$50,000, during my absence. The papers came through. As I learned on my return from abroad in June, I was assigned 4,000 shares of a company known as Insull Utility Investments (Inc.), at \$12 per share.

Mr. PECORA. Was that the first knowledge you had of the price at which you were to purchase that stock?

Mr. YOUNG. Yes. It was the only knowledge I had, because I did not know how many shares I was to have or the price at which they were to be allocated.

Mr. PECORA. And for how long were you requested by Mr. Insull when he first spoke to you about that proposition, to hold that stock if you acquired it?

Mr. YOUNG. Well, I think in the agreements themselves there was some definite undertaking about holding it. But of course regardless of the agreement, the purpose which Mr. Insull had in mind for me meant that I would have to hold that stock indefinitely. And that is what I had assumed.

The CHAIRMAN. Then you made your purchase of stock virtually as an indorsement of his promotion scheme.

Mr. YOUNG. I do not think, Senator, my name was ever used, not so far as I know, in the exploitation of those companies. I was never a director or an officer of the companies. I never followed their reports. I did not even follow the market price of their shares, because it was not of the slightest interest to me, for I could not have sold them no matter what price they went to or what profit they showed me.

Mr. PECORA. Was any written agreement ever proposed or entered into with respect to your holding those shares for any specified period of time?

Mr. YOUNG. I am sorry but I did not pay enough attention to it to know, because, as I say, whatever the agreement was it was not as important to me as my general commitment to Mr. Insull. My impression is that there was some limitation expressed in the papers of the right to sell those shares.

Mr. PECORA. Do you recall that it was for about two years from the date of the issuance of the stock?

Mr. YOUNG. Well, it might have been. But, as I say, it made no impression on me because I should not have felt free at the end of two years, because of the character of my relationship to the enterprise, to sell my shares.

Mr. PECORA. Do you know that many hundred thousands, yes, over 2,000,000 shares of that stock was sold to the public without any such limitation or understanding?

Mr. YOUNG. I do not know about it, sir. I am sorry, but you can see how little attention I was paying to it. I was not making that as an investment, because I personally was selecting it, but I was making it because Mr. Insull asked me to go along to help assure the management of his operating companies of their position. And I never followed it as an investment.

Mr. PECORA. Did Mr. Insull tell you how many shares of stock were going to be offered or sold with that general understanding and for that purpose?

Mr. YOUNG. No. As I have said to you, Mr. Insull stated that he had not made up his plans, that he did not know the structure of the company, that all he would do would be to assign to me securities, whatever form they might take, of an amount not to exceed \$50,000.

I thank you for the privilege of making that statement about my personal investment, because I would like to have you understand why I made it, and why I was not interested in the market price, why I could not sell it, and why it still remains.

Mr. PECORA. Why it still remains, or it is a case of "still remains"?

Mr. YOUNG. Yes, sir.

Mr. PECORA. Mr. Young, did you ever have any purpose whatsoever, either to ascertain the value of this stock, make any survey of its value, or of the factors that entered into its value?

Mr. YOUNG. I never did.

Mr. PECORA. Do you know anything about that?

Mr. YOUNG. I do not. The only thing I know about it is the operating statement and the balance sheet of Insull Utility Investments (Inc.) which was submitted to Mr. Swope, and to me, at the time we made the loan of the General Electric Co. in December of 1931. At that time I saw for the first time the operating statement and balance sheet.

Mr. PECORA. Did they submit to you a consolidated financial statement for the two investment companies?

Mr. YOUNG. They submitted I think a consolidated statement for both. And in that case they took only the report for the year 1930, the annual report for 1931 not having come out, and they interlined the figures in ink, to show the operating situation of the companies, Corporation Securities and Insull Utility Investments, as the matter stood at the time the loan was made, as they estimated it would be at the end of the year 1931, which was approximately the time of the loan.

Mr. PECORA. For the purpose of your company making this loan of \$2,000,000 in December of 1931 you did not cause any independent audits to be made of those two companies, did you?

Mr. YOUNG. No, sir. We accepted the consolidated statement as they presented it to us.

The CHAIRMAN. Mr. Young, you may have covered this, but I am not clear on it. I think you said at what price per share the stock was sold to you, which was \$12.

Mr. YOUNG. Yes, sir.

The CHAIRMAN. What was the market price as of that time?

Mr. YOUNG. I am sorry that I can not tell you, but you see I was in Paris at the time.

The CHAIRMAN. Have you the date at which that stock was sent to you?

Mr. YOUNG. I have not. I was in Paris at the time. The stock was sent to my office. As I learned when I returned there were 4,000 shares at \$12 a share. I do not recall ever having looked at the market price of those shares.

The CHAIRMAN. The company had been in existence for some time.

Mr. YOUNG. Well, it was in June when I saw it on my return.

The CHAIRMAN. And this other was preceding the opening?

Mr. YOUNG. The talk with Mr. Insull was in the December before.

Mr. PECORA. In December of 1928?

Mr. YOUNG. Yes, sir.

The CHAIRMAN. And he was liberal with you in the matter of price, as the stock opened at \$30 a share and went right on up to \$149.

Mr. YOUNG. Well, I think you gentlemen know more about that than I do.

Mr. PECORA. Is there anything else?

Mr. YOUNG. Have you any desire, Mr. Pecora, for these statements?

Mr. PECORA. Would you leave that consolidated statement with the committee if you can spare it?

Mr. YOUNG. I will.

Mr. PECORA. Or if you have a photostatic copy of it we will be glad to have that.

Mr. YOUNG. Yes; in lieu of that we will be glad to have a photostatic copy made.

Mr. PECORA. Mr. Chairman, I ask that they be spread in full on the minutes of our hearing.

The CHAIRMAN. The request is that they be placed in the record. If there is no objection it is so ordered.

(A photostatic copy of a portion of a pamphlet entitled "Report of Insull Utility Investments (Inc.) for the fiscal year ended December 31, 1930," was furnished by the witness and is here made a part of the record, as follows:)

REPORT OF INSULL UTILITY INVESTMENTS (INC.), FOR THE FISCAL YEAR ENDED
DECEMBER 31, 1930

Income:

Cash dividends		\$4, 505, 931. 72
Stock dividends, taken in at market value at date of receipt	5, 186, 990. 21	
Interest on bonds, notes, etc.	817, 580. 05	
Profit on sale of securities	676, 578. 18	
Sale of rights	926, 042. 23	
Miscellaneous income	38, 647. 35	

Expenses:

Administrative and general expenses	\$655, 784. 15	10, 798, 613. 38
Provision for income taxes	74, 557. 93	
		730, 342. 08

Net income before interest charges 10, 068, 271. 30

Interest charges:

Interest on 5% gold debentures, series "A"	113, 066. 10	
Interest on 6% gold debentures, series "B"	3, 039, 080. 00	
Other interest charges	2, 507, 187. 35	
		5, 659, 333. 45

Net income for the year.....	\$4, 408, 937. 85
Cash dividends paid and accrued:	
Prior preferred stock.....	\$299, 385. 31
Preferred stock, second series.....	2, 434, 121. 25
Preferred stock, first series.....	146, 666. 66
	<u>2, 880, 173. 22</u>
	1, 528, 764. 63
1931 stock dividend on common stock at the rate of 6 shares for every 100 shares per annum—200 shares at \$20 per share....	<u>2, 934, 652. 80</u>
Surplus income for the year.....	<u>1, 405, 888. 17</u>
Earned surplus, Dec. 31, 1930.....	9, 792, 114. 39
Earned surplus, Nov. 30, 1931.....	<u>8, 386, 226. 22</u>

INSULL UTILITY INVESTMENTS, INC.

CONSOLIDATED BALANCE SHEET—NOVEMBER 30, 1931

ASSETS

Cash.....	\$4, 002, 608. 87
Notes and accounts receivable.....	12, 872, 365. 74
Due from subscribers to common stock.....	256, 859. 58
Interest and dividends receivable.....	324, 122. 83
Organization expense, etc.....	<u>1, 150, 326. 97</u>
Investment securities—at cost:	
Pledged (under temporary loans).....	\$188, 008, 288. 48
Unpledged.....	51, 204, 846. 57
Under contract of purchase.....	138, 400. 00
Loaned to affiliated companies—	
Secured.....	10, 084, 233. 80
Unsecured.....	<u>1, 194, 722. 84</u>
	250, 630, 491. 69
Borrowed securities—at market (contra) secured:	
Pledged.....	2, 990, 283. 75
Unpledged.....	2, 276, 965. 00
Loaned to affiliated companies—secured....	<u>745, 925. 00</u>
	6, 013, 173. 75
Reacquired securities—at cost:	
Pledged.....	4, 631, 544. 61
Unpledged.....	611, 939. 82
Loaned to affiliated companies.....	1, 309, 851. 46
Loaned to outsiders.....	<u>241, 484. 25</u>
	6, 794, 820. 14
	<u>282, 044, 769. 57</u>

LIABILITIES

Notes payable.....	53, 257, 145. 00
Accounts payable, including interest and taxes accrued.....	3, 552, 388. 67
Dividends accrued.....	770, 200. 00
Liability under contract of purchase (due 1931-1934).....	<u>185, 275. 00</u>
Funded debt:	
5% gold debentures, series A—due Jan. 1, 1949.....	\$2, 469, 000. 00
6% gold debentures, series B—due Jan. 1, 1940.....	<u>55, 256, 000. 00</u>
	57, 725, 000. 00
Liability for borrowed securities (contra) secured.....	6, 013, 173. 75
Common stock scrip, unconverted—11,972-786/1000 shares....	<u>383, 262. 29</u>
Capital stock:	
Prior preferred, without par value—	
Authorized—250,000 shares.	
Issued—First series \$5.50 cumulative—60,000 shares.....	6, 000, 000. 00

Capital stock—Continued.

Preferred, without par value—

Authorized—500,000 shares.

Issued—

First series, 40,000 shares..... \$4, 000, 000. 00

Entitled to cumulative dividends—\$4-1931: \$5-1932:
\$6-1933 and thereafter.

Second series \$6 cumulative—450,000 shares..... 36, 000, 000. 00

Common, without par value:

Authorized—6,000,000 shares.

Reserved for sale and conver-
sion to holders of—Preferred stock, second
series..... Shares
675, 000

6% debentures series B. 1, 314, 706

Reserved for common
stock subscribed but
not issued..... 7, 400

1, 997, 106

4, 002, 894

3, 636, 614 \$100, 813, 873. 91

Issued.....

Less: Held in Treasury
for exchange of
scrip.....

19, 160

383, 262. 29

3, 617, 454 100, 430, 611. 62

7, 400 370, 000. 00

3, 624, 854

100, 800, 611. 62

Reserve for contingencies.....

2, 000, 000. 00

Surplus:

Earned surplus..... 8, 386, 226. 22

Paid-in surplus..... \$6, 750, 000. 00

Less: Discount and expense on series B
debentures written off..... 3, 778, 512. 98

2, 971, 487. 02

282, 044, 769. 57

CORPORATION SECURITIES CO. OF CHICAGO

SCHEDULE L-1.—Analysis of changes in capital surplus supporting Form 1120,
calendar year 1931

Capital surplus, December 31, 1930..... \$31, 730, 104. 86

Additions:

Adjustment of organization expense previously charged to
capital surplus..... 1, 705. 40

Reserve for contingencies transferred..... 750, 000. 00

32, 481, 810. 26

Deductions:

Unamortized discount and expense on serial gold notes
charged off..... 1, 209, 860. 99

Appropriated to reserve for loss on securities loaned..... 538, 471. 37

Appropriated to reserve for loss on notes and accounts re-
ceivable..... 573, 935. 48Write-down of company's own securities reacquired, to
market value..... 1, 807, 793. 72

Loss on sale of company's own securities..... 87, 645. 86

Appropriated to reserve for company's own securities held
by subsidiary company..... 2, 659, 643. 31Appropriated to reserve for loss sustained by subsidiary
company on sales of stock of Corporation Securities Co.
of Chicago..... 1 63, 320. 26

Total deductions..... 6, 940, 670. 99

Capital surplus, December 31, 1931..... 25, 541, 139. 27

¹ This item is eliminated in consolidated balance sheet, as the loss is reflected in consolidated earned surplus.

(The witness loaned to the committee reporter his original copy of a pamphlet entitled "Report of Corporation Securities Co. of Chicago for the fiscal year ended December 31, 1930," bearing the changes made in ink when said pamphlet was submitted to him for the purpose of making a loan, and the reporter had the particular pages referred to photostated, and they are here made a part of the record as follows, the said statement having been changed to read "For the period January 1, 1931 to November 30, 1931" in pen and ink.)

Statement of income, expenses, and earned surplus of Corporation Securities Co. of Chicago, for the period, January 1, 1931, to November 30, 1931

Income:	
Cash dividends.....	\$1, 824, 227. 21
Stock dividends, taken in at market value at date of receipt.....	3, 424, 714. 04
Interest on bonds, notes, etc.....	180, 503. 22
Profit on sale of securities.....	227, 600. 50
Commissions earned.....	41, 709. 06
Total.....	5, 243, 553. 03
Expenses.....	652, 114. 55
Net income before interest charges.....	4, 591, 438. 48
Other interest charges.....	2, 081, 433. 93
Net income for the year.....	2, 510, 004. 55
\$3-optional preferred stock dividends paid and accrued:	
In cash.....	\$2, 000, 793. 75
In common stock at the rate of 10 shares for every 100 shares per annum, at \$5 per share.....	3, 514. 36
Total.....	2, 004, 308. 11
Total.....	505, 696. 44
Common stock dividend on common stock at the rate of 6 shares for every 100 shares per annum, at \$5 per share.....	1, 276, 710. 50
Surplus income for the year.....	771, 014. 06
Surplus, Dec. 31, 1930.....	4, 492, 602. 86
Surplus, Nov. 30, 1931.....	3, 721, 588. 80

BALANCE SHEET, NOVEMBER 30, 1931

ASSETS

Cash.....	\$1, 056, 854. 80
Notes and accounts receivable.....	1, 331, 424. 06
Unamortized discount and expense on serial gold notes, etc.....	212, 043. 87
Investment securities:	
Pledged (under temporary loans).....	\$125, 888, 160. 73
Unpledged.....	16, 078, 885. 58
Loaned to affiliated company.....	506, 284. 03
Total.....	142, 473, 330. 34
Reacquired securities:	
Pledged.....	3, 154, 231. 74
Unpledged.....	2, 086, 493. 18
Total.....	5, 240, 724. 92
Borrowed securities, at market (contra) secured, pledged.....	6, 540, 035. 00
Total.....	156, 854, 412. 99

LIABILITIES

Liability to deliver borrowed securities at market (contra) secured.....			\$6, 540, 035. 00
Notes payable.....			27, 269, 851. 25
Accounts payable, including interest accrued.....			757, 911. 35
Dividends accrued.....			181, 108. 75
Common stock dividend declared and payable in common stock.....			335, 759. 15
Liability under contract of purchase (due 1931).....			2, 549, 207. 30
Unearned commissions on loan.....			
Serial gold notes (authorized \$40,000,000) outstanding.....			24, 033, 000. 00
Common stock scrip, unconverted—15,942-916/1,000 shares.....			79, 714. 58
Liability to deliver stock.....			335, 336. 27
Capital stock:			
	Shares		
Prior preferred, no par: Authorized.....	1, 000, 000		
\$3 optional preferred, 1929 series no par—			
Authorized.....	1, 000, 000		
Less issued and converted into common.....	37, 153		
Total.....	962, 847		
Issued and outstanding..	748, 481		37, 424, 050. 00
Common, no par—			
Authorized.....	6, 000, 000		
Reserved under option and for conversion of preferred stock.....	1, 122, 722		
Total.....	4, 877, 278		
Issued.....	4, 492, 852	\$22, 464, 259. 60	
Less: Held in treasury for exchange of scrip.....	15, 943	79, 714. 58	
Total.....	4, 476, 909	22, 384, 545. 02	
Reserve for contingencies.....			750, 000. 00
Surplus:			
Capital surplus, paid in—			
Balance Nov. 30, 1931, reduced to.....			
Net additions during year.....	30, 492, 305. 52		
Earned surplus.....	3, 721, 588. 80		
			34, 213, 894. 32
			156, 854, 412. 99

Senator COSTIGAN. Mr. Young, are the annotations in writing on the margin of the annual reports, referred to by you, the same annotations which were there at the time it was originally shown to you?

Mr. YOUNG. Yes, sir. These are the figures on which we relied in making the General Electric Co. loan.

Senator COSTIGAN. You refer to the figures entered in ink on those printed pamphlets, do you not?

Mr. YOUNG. Yes, sir.

The CHAIRMAN. You are excused, Mr. Young.

Mr. YOUNG. Am I now discharged so that I may go home?

The CHAIRMAN. Yes. The committee will rise to meet here within an hour.

(Thereupon, at 1.20 p. m., the committee recessed for one hour.)

AFTER RECESS

(The committee reconvened at the expiration of the recess, at 2.30 o'clock, p. m.)

The CHAIRMAN. General Dawes, please come forward.

You do solemnly swear that you will tell the truth, the whole truth, and nothing but the truth, regarding the matter now under investigation by the committee, so help you God?

Mr. DAWES. I do.

**TESTIMONY OF CHARLES GATES DAWES, FORMER VICE PRESIDENT
OF THE UNITED STATES, EVANSTON, ILL.**

Mr. PECORA. General Dawes, will you please give your full name and address?

Mr. DAWES. Charles Gates Dawes; 225 Greenwood Boulevard, Evanston, Ill.

Mr. PECORA. Your business or profession, General Dawes?

Mr. DAWES. I am a banker at present.

Mr. PECORA. Were you at one time connected with the bank known as the Central Republic Bank & Trust Co. of Chicago?

Mr. DAWES. I have not been an officer or director of the Central Republic Bank & Trust Co., except from the 26th of June to October 5.

Mr. PECORA. Of what year?

Mr. DAWES. 1932. I was chairman of the board for that period.

Mr. PECORA. General Dawes, have you produced here at the request of the committee a statement of bank loans made by that bank to any of the Insull group of companies?

Mr. DAWES. Yes. I asked the vice president in charge to make that list in response to the request of Mr. James E. Stewart. That was what he said he wanted. [Producing papers.]

Mr. PECORA. I notice this list includes a number of such loans to so-called Insull companies, affiliates, directors, officers and employees of such companies, as of April 16, 1932, and as of January 10, 1933. Do you know the aggregate amount of such of these loans as were outstanding on April 16, 1932?

Mr. DAWES. I counted them up there. I think there are 40 or 41 different loans, separate loans. As of April 16, the gross amount is \$11,977,400.68, and the aggregate on January 10, the other day, was \$11,130,233.70.

Senator COUZENS. May I ask at this point if all those loans are in the possession of that bank now?

Mr. DAWES. Yes.

Senator COUZENS. None of them have been put up as security for the loans from the Reconstruction Finance Corporation?

Mr. DAWES. Yes. Part of the loans that were in the bank at the time the loan was made from the Reconstruction Finance Corporation are still in that collateral.

Senator COUZENS. What I meant to imply was, General, that these loans are not all in your possession now. They are in the possession of the Reconstruction Finance Corporation.

Mr. DAWES. In the possession of the Reconstruction Finance Corporation as collateral for that loan, yes.

Senator COUZENS. Have you segregated those that are in the possession of the bank itself, and those that are in the possession of the Reconstruction Finance Corporation?

Mr. DAWES. They are all in the possession of the Reconstruction Finance Corporation.

Senator COUZENS. Those that you specified as being \$11,000,000 plus, are now in the hands of the Reconstruction Finance Corporation?

Mr. DAWES. Yes.

Mr. PECORA. Are you familiar, General, with the circumstances under which any of these loans, which on April 16, 1932, aggregated \$11,977,400, were made to the borrowers?

Mr. DAWES. No; I am not familiar with the circumstances.

Mr. PECORA. Do you know over what period of time these loans, aggregating that figure, were made?

Mr. DAWES. I can not tell you as to what period of time these particular loans have run, but the Insull companies have done business with the Central Trust Co. of Illinois, and I presume the National Republic Bank, for many years, over 15 or 20 years.

Mr. PECORA. General, do you know what the capital and surplus was of the bank on April 16, 1932?

Mr. DAWES. Of the Central Republic Bank?

Mr. PECORA. Yes, sir.

Mr. DAWES. Well, the capital was \$14,000,000, and the surplus was \$10,000,000; the undivided profits, I think, were about \$3,000,000.

Mr. PECORA. What was the other?

Mr. DAWES. Undivided profits; but you wanted capital and surplus.

Mr. PECORA. Undivided profits, about \$3,000,000?

Mr. DAWES. Yes.

Mr. PECORA. That made a total of about \$27,000,000, representing capital, surplus, and undivided profits?

Mr. DAWES. Yes.

Mr. PECORA. This bank is a State bank, is it not?

Mr. DAWES. Yes.

Mr. PECORA. Chartered under the laws of the State of Illinois?

Mr. DAWES. Yes.

Mr. PECORA. What is the limitation placed by law, under the laws of the State of Illinois, upon any bank in making a loan to a single borrower?

Mr. DAWES. Fifteen per cent of the capital and surplus.

Mr. PECORA. In the case of the making of these loans to the so-called Insull companies and affiliates, directors, officers and employees of those companies, had all those loans been made to one corporation or entity, or person in that group, they would have exceeded, by a very substantial margin, the legal limitation, would they not?

Mr. DAWES. They would, yes.

Mr. PECORA. But these loans were not so made to one person only?

Mr. DAWES. They were made to separate corporations and separate entities, and therefore came within the law.

I would like to say here, in connection with this discussion as to method of changing the law and preventing the loaning of money to corporations in a group controlled by somebody, that I think there was one thing that was overlooked, and that is that a great many of these corporations are controlled almost by proxy committees alone.

It is very seldom that you find in control of one of these great groups any one who has any large property interest.

Mr. PECORA. That is, the control usually is vested in a person or group whose total stock interest represents a minority.

Mr. DAWES. Yes, a very small minority. And what apparently largely wrecked Mr. Insull was his trying to go out and buy a property interest in great companies like the Commonwealth Edison and the Peoples Gas, so that he could cement his proxy by actual control, and he paid such prices for the stock that it ruined him.

The point I want to make in connection with this matter of the limitation of loans is this: Remember, if you should pass any law to prevent any company controlled by a group, as you call it, from making loans which, added to the loans made by the rest of the group, would exceed the legal limit, you are going to cut off from credit properties which may need it, and which are owned by tens of thousands of stockholders who would be benefited by proper credit to that company. You would cut it off, because some fellows with the stock control or proxy control put it in a group, so called.

The CHAIRMAN. But, is not the answer along another line, to prevent this kind of corporate set-up being carried so far?

Mr. DAWES. You can not safely limit the right to borrow money of a corporation with 50,000 or 100,000 stockholders by any law designed to prevent some unscrupulous men getting control of it in the future and it is very dangerous, by law, to fit such a statute into certain situations where the equities of stockholders and of individual corporations are concerned.

Take the case of the Insull group, for instance. The Commonwealth Edison Co. and the Peoples Gas Co. require very large amounts of money every year for expenditure. Samuel Insull owned only a very small amount of that stock up until the time he tried to buy a controlling interest. Whether the credit of that company should depend in any way upon Mr. Insull's accidental control of the proxy—

The CHAIRMAN. Is not that a thing that has to be accomplished before we can restore confidence in corporation stocks?

Mr. DAWES. It will be difficult to restore confidence in stocks as long as men who are not fit to manage companies get at the head of them. But it would be a mistake to endanger the interests of stockholders and their equitable rights by curtailing a company and preventing it from exercising the right to borrow whatever money is necessary for the conduct of its business.

The CHAIRMAN. For example, the loans made by your bank were made to a large number of corporations, I presume, and still it was, in effect, to one interest. Would not that law have been helpful to the bank, if it would prevent that kind of a situation?

Mr. DAWES. I am not acquainted with these particular loans, but I venture to say this, that those loans are to different corporations, with different sets of stockholders, controlled as a unit, we will say, in their general methods by Mr. Insull, but each of them has its own property and its own legal status. The stockholders have their own rights, and it would be very difficult, it seems to me, even with any of those companies, especially a company like the Peoples Gas Co. or the Commonwealth Edison Co., controlled by a small minority, to pass a law saying that that company could not borrow money except in a certain proportion.

The CHAIRMAN. I do not think anyone here had any such thought as that. They had the thought that the very complexity of it makes it possible to borrow more from banks than was intended by the banking laws.

Mr. DAWES. Certainly; but laws along the line suggested by Mr. Young, for lessening the possibility of creation of companies of that sort, it seems to me, are the way that this will have to be gone at, in my judgment, and not by the limitation on any company in the borrowing of whatever money is in the interest of its stockholders and in the interest of its business.

Mr. PECORA. General Dawes, you recognize, do you not, that the underlying principle of public policy in these laws limiting the power or right of the bank to loan more than 10 or 15 per cent of its capital and surplus to a single borrower, was to prevent banks from putting themselves in jeopardy by putting too many of their eggs in one basket?

Mr. DAWES. Certainly.

Mr. PECORA. Is not that purpose or principle or policy virtually defeated in any instance through the medium of the creation of corporate structures of the complicated character of the Insull group, as was described here this morning by Mr. Young, being enabled to obtain individual loans on the application of constituent units in that aggregate corporate structure, from the same bank or group of banks?

Mr. DAWES. If the control is an improper control, it certainly does.

Mr. PECORA. Whether or not the control is improper, the possibility for such an evasion of this principle of public policy in these banking laws still exists, does it not?

Mr. DAWES. Unquestionably.

Mr. PECORA. Should not the banks, by making their own inquiry into the existence of those complicated corporate structures, prevent that kind of evasion of the principle or spirit of these banking laws?

Mr. DAWES. That should be their every effort at all times, because that goes to the very question of whether or not the loan is safe. Those investigations should be made, and banks should do everything they could, of course, to keep too large a proportion of their funds from going into one risk.

Mr. PECORA. General, do you know whether or not those precautions were exercised and those inquiries made by the officers of the Central Republic Trust Co. in connection with the making by that bank of these loans to these Insull companies, aggregating nearly one-half of its total capital and surplus?

Mr. DAWES. I do not want to seem evasive, Mr. Pecora, but I am ignorant of the negotiations which took place in connection with any of these loans.

Mr. PECORA. You were then not in the country, I believe, when these loans were made, or most of them?

Mr. DAWES. When I was Vice President, I was neither an officer nor director of any bank. I severed all my corporate connections, and had no relation or activity in connection with the business of the bank at all. Then, after my term as Vice President expired, March 4, 1929, I expected to go back to a position in the Central Trust Co. of Illinois which I had left some four years before, and was elected

chairman of the board, but, while I was down in Santo Domingo for three or four weeks, I was appointed as ambassador to Great Britain.

As a matter of fact, I remained as chairman of the board without salary during my absence until along later in the year when they selected another chairman. I was thus chairman of the board of the Central Trust Co. of Illinois part of the time in 1929, but I have had no active connection with the banking business until this summer, when, because my name had been used in connection with that bank from 1902 up until the present time, being neither an officer nor director, but honorary chairman of the board of the Central Republic Bank & Trust Co., I came back to the Central Republic Bank & Trust Co. the successor of the Central Trust Co. and the National Bank of the Republic as a matter of duty and assumed official relationship.

Mr. PECORA. General, looking at the actions of the officers of the bank in making these loans in the retrospect that the present time affords us, what would you say as to whether or not—

Mr. DAWES. I would say that the retrospect of the average banker all over the country is a sad one. I have no knowledge of these particular negotiations and what was done, but I would assume that the same feeling of sadness would come over anybody that had been connected with making these loans to the Insull company, in this bank as in any other.

At the time these loans were made, all of them were supposed to be well secured on the basis of then existing values. These bankers all had confidence in the integrity of Mr. Insull, gained through contact of a great many years, and those loans were made and were considered among the best loans that banks had.

Then this collapse came, and, of course, looking back over the wreck, everybody feels sad that had anything to do with it, of course.

I would be glad to see any laws passed that would aid them to avoid such a thing in the future.

Mr. PECORA. What laws, in your opinion—if you care to express such an opinion—would accomplish that purpose?

Mr. DAWES. I do not want to go off half-baked in the suggestion of new laws. That is a habit which is not peculiarly unknown in Washington at this particular time. If a man has some general reform to inaugurate, he ought to study it at least a little while, and not go off in any half-baked way. I do not know. I know that laws should be put into effect here that will make it more difficult for dishonest men to get proxy control of large properties belonging to thousands and thousands of stockholders, and make it more difficult for them to borrow money for the purpose of increasing their power and making money off innocent stockholders by the misuse of the corporation. But that is a very difficult thing, sometimes, to cure entirely. One of the elements involved is human nature. If you can get laws which will change human nature, you will have some chance of a perfect solution.

Mr. PECORA. General, do you know that the majority, if not all of these loans aggregating nearly \$12,000,000, that have been referred to by you in your testimony, were made to these Insull companies at a time when Samuel Insull was engaged in a stock buying race with Mr. Eaton for control of the Insull companies?

Mr. DAWES. As I say, I have not compared the dates of these things at all, so I can not answer that.

Mr. PECORA. The policy, as we have agreed, of the banking laws—

Mr. DAWES. As to whether any of these loans were made at the time he was doing that, I do not know.

Mr. PECORA. It is agreed, is it not, that the policy underlying these banking laws, and the placing of a limitation of 10 or 15 per cent, as the case might be, on banks, in the amount of loans they may make to a single borrower, bears no relationship, as such, to the question of security underlying loans so made?

Mr. DAWES. That is true.

Mr. PECORA. It simply establishes the principle that a bank should not put more than 10 or 15 per cent of its eggs in one basket.

Mr. DAWES. Yes. I think most of the loans made by the Insull corporations were made on securities affording a proper margin at the then market.

Mr. PECORA. But the question of security underlying those loans does not enter into the principle of those laws?

Mr. DAWES. Not at all; in no way.

Mr. PECORA. So that the principle was violated, regardless of the security underlying the loans?

Mr. DAWES. Certainly.

Mr. PECORA. Let me ask you this: In view of the fact that you have given many years of your life to the banking business, let me ask you whether or not you have any suggestions you would care to advance to this committee with respect to the enactment of measures that would prevent that form of evasion of that principle of the banking laws in the future?

Mr. DAWES. The difficulty I would anticipate in drawing legislation of that sort, if legislation of that sort is needed, would be to differentiate in the cases of the different kinds of corporations. Take a corporation which is independent, and whose control is held by a very large number of stockholders. The only thing I would be afraid of in the matter of restriction of loans, is the question of how you would protect the equitable rights of the vast majority of the stockholders in a corporation of that sort. I have not given any thought to that question. I would like to see legislation of that kind passed, myself. Anything to prevent a repetition of these things is to be desired in our laws.

Mr. PECORA. Mr. Chairman, may I offer this statement or report produced by General Dawes in evidence, and ask that it be spread on the minutes? You can leave it with us, can you not, General?

Mr. DAWES. Yes.

The CHAIRMAN. It will be entered in the record.

(The statement referred to is as follows:)

Attached hereto is a copy of a report describing loans by the Central Republic Trust Co. to so-called Insull companies and affiliates, directors, officers, and employees of such companies, as of April 16, 1932, and January 10, 1933, the original report having been sent to Mr. James Stewart, agent for the Senate investigating committee.

I hereby certify that the information contained in the attached report is correct.

CENTRAL REPUBLIC TRUST CO.,
W. C. FREEMAN, *Vice President.*

Debtor: John P. Brice, former employee Metropolitan District Finance Co.
 Amount of loan: April 16, 1932, \$2,150; January 10, 1933, \$2,150.
 Notes held January 10, 1933: Dated March 24, 1932; due, demand; rate, 6 per cent; amount, \$2,150; secured.
 Collateral held January 10, 1933: Insull Utilities Investment Co. common, 107; Insull Utilities Investment Co. second preferred W/W, 6.
 Debtor: B. I. Budd, president Chicago Rapid Transit Co.
 Amount of loan: April 16, 1932, \$46,000.
 Purchased by City National Bank & Trust Co. October 6, 1932. Amount owing at time of purchase, \$46,000.
 Debtor: Chicago North Shore & Milwaukee Railroad.
 Amount of loan: April 16, 1932, \$550,000; January 10, 1933, \$545,980.58.
 Notes held January 10, 1933: Dated April 1, 1932; due, April 1, 1935; rate, 6 per cent; amount, \$545,980.58; secured.
 Collateral held January 10, 1933: Chicago North Shore & Milwaukee Railroad 5½, 56-B, \$666,000.
 Debtor: Consolidated Properties Trust.
 Amount of loan: April 16, 1932, \$1,055,000; January 10, 1933, \$1,070,023.97.
 Notes held January 10, 1933: Dated, June 28, 1932; due, September 26, 1932; rate, 6 per cent; amount, \$1,055,000; secured. Dated June 28, 1932; due, September 26, 1932; rate, 6 per cent; amount, \$15,023.97; secured.
 Collateral held January 10, 1933: Consol. Prop. Tr. Deb. "A" 6-41, \$1,250,000.
 Debtor: Harry A. Cornelius, engineer Public Service Co. of Northern Illinois.
 Amount of loan: April 16, 1932, \$225; January 10, 1933, \$50.
 Notes held January 10, 1933: Dated January 3, 1933; due, February 2, 1933; rate, 6 per cent; amount, \$50; unsecured.
 Indorser: R. E. Little.
 Debtor: Charles W. Daniels, former assistant secretary to Samuel Insull.
 Amount of loan: April 16, 1932, \$5,900; January 10, 1933, \$5,790.
 Notes held January 10, 1933: Dated, June 6, 1932; due, demand; rate, 6 per cent; amount, \$5,790; secured.
 Collateral held January 10, 1933: Part. receipt Insull Utility Inv. Synd. Ctf. 241, \$1,250; insurance policy Union Mutual Life Insurance Co., \$6,000.
 Debtor: B. J. Fallon, vice president Chicago Rapid Transit Co.
 Amount of loan: April 16, 1932, \$154,227.35; January 10, 1933, \$150,000.
 Notes held January 10, 1933: Dated, June 4, 1932; due, June 4, 1935; rate, 3 per cent; amount, \$100,000; secured. Dated June 4, 1932; due, demand; rate, none; amount, \$50,000; unsecured.

Collateral held January 10, 1933:

	Shares or par value
Midwest Co.-----	15,000
Midwest, preferred-----	300
Union Elevated, first 5-45-----	\$5,000
Chicago, Rapid Transit first refunding, 6-53-----	8,000
Empire Oil & Refining, first coll. 5½-42-----	4,000
Insull Utilities, common-----	1,000
Continental Chicago, preferred-----	100
J. R. Thompson, common-----	100
Central Illinois Securities, preferred-----	100
Chicago Rapid Transit, V. T. C-----	333
Insull Utilities, 6-40-----	\$20,000
Middle West 5-34-----	4,000
Middle West 5-35-----	6,000
Central Illinois Securities, common-----	100
Ercole Marelli Electric Manufacturing Co. A6½-53-----	5,000
Roman Catholic Church in Bavaria 6½-46-----	15,000
General Rayon Co. (Ltd.), debenture A6-48-----	5,000
Italian Superpower A6-63-----	5,000
Department Cauca Valley Est. S. F. 7-48-----	5,000
Aetna Life Insurance policy-----	45,000
Metropolitan Life Insurance policy-----	4,000
Jewelers Building, Chicago 6s-50 c/d-----	5,000
Union League Club Chicago, 6-45-----	500
Cubian Cane Products Co. 6-50-----	5,000
Village of Westchester Imp. 6-34-----	3,500
Village of Westchester Imp. 6-35-----	5,000
Village of Westchester Imp. 6-36-----	1,000

Debtor: Federal Electric Co.

Amount of loan: April 16, 1932, \$140,000; January 10, 1933, \$140,000.

Notes held January 10, 1933; due, demand; rate, 6 per cent:

Amount
(unsecured)

Dated Apr. 18, 1932	\$15, 000
Dated May 16, 1932	15, 000
Dated Apr. 22, 1932	15, 000
Dated Apr. 20, 1932	25, 000
Dated Apr. 19, 1932	25, 000
Dated Apr. 15, 1932	20, 000
Dated May 4, 1932	25, 000

Debtor: Washington Flexner, President Lincoln Printing Co.

Amount of loan: April 16, 1932, \$115,000; January 10, 1933, \$114,250.

Notes held January 10, 1933: Dated May 31, 1932; due, demand; rate, 4½ per cent; amount, \$99,250; secured. Dated October 7, 1932; due, demand; rate, 4½ per cent; amount, \$15,000; secured.

Collateral held January 10, 1933:

Shares or
par value

United Light & Power A common	100
Phillips Morris Consolidated (Inc.) common	1, 100
Armour & Co. Illinois A common	500
Phillip Morris & Co. (Ltd.)	1, 500
Insull second preferred	750
Lincoln Printing	1, 000

Debtor: Flexner & Insull (Washington Flexner and Martin J. Insull).

Amount of loan: April 16, 1932, \$172,500; January 10, 1933, \$170,168.24.

Notes held January 10, 1933: Dated June 6, 1932; due, demand; rate, 4½ per cent; amount, \$82,500; secured. Dated May 16, 1932; due, demand; rate, 4½ per cent; amount, \$87,668.24; secured.

Collateral held January 10, 1933:

Shares or
par value

Insull Utility common	2, 918
Producers Refiners common	2, 000
Houdaille B	500
20 Wacker Drive preferred	100
International Match Part preferred	600
Omnibns Corporation V. T. C	1, 100
Fansteel Products Co	2, 320
Centrifugal Pipe	2, 900
United American Utility common	1, 500
Interstate Equities common	100
Public Utility Hol. common W. W	1, 000
Interstate Equities cumulative preferred A	100
Phillip Morris (Ltd.)	500
National Security Investment Co. common	1, 050
Western Pacific R. R. preferred	300
Eitington Schild Co. common	950
North American Co. common	62
Lincoln Printing	3, 800
Corp. Sec. V. T. C. common	28, 000

Debtor: Clinton B. Gosling, former employee Utility Securities Co.

Amount of loan: April 16, 1932, \$2,300; January 10, 1933, \$2,089.40.

Notes held January 10, 1933: Dated September 19, 1932; due, October 19, 1932; rate, 6 per cent; amount, \$2,089.40; secured.

Collateral held January 10, 1933: Lincoln Printing Co. common, 200; Paramount Publix Corporation common, 50.

Debtor: W. V. Griffin, vice president and treasurer Chicago Rapid Transit lines.

Amount of loan: April 16, 1932, \$9,600; January 10, 1933, \$9,350.

Notes held January 10, 1933: Dated, January 3, 1933; due, February 2, 1933; rate, 6 per cent; amount, \$9,350; secured.

Collateral held Jan. 10, 1933:

Shares or
par value

Public Service Northern Illinois 6 per cent preferred	50
Insull Utility Investment common	108
Central Illinois Securities Co. preferred	100
Midland United Co. common	100
Central Illinois Securities Co. common	100

Debtor: Harry G. Hardin, vice president Chicago Rapid Transit Co.

Amount of loan: April 16, 1932, \$6,170; January 10, 1933, \$5,550.

Notes held January 10, 1933: Dated, November 23, 1932; due, January 23, 1933; rate, 6 per cent; amount, \$5,550; secured.

Collateral held Jan. 10, 1933:

	Shares or par value
Middle West Utilities common	1, 037
North American Light & Power common	100
Insull Utility Investment (Inc.) preferred, second series W/W	35
Penroad Corporation, common	100

Debtor: Hill, Joiner & Co.

Amount of loan: April 16, 1932, \$122,978.07; January 10, 1933, \$122,978.07.

Notes held January 10, 1933: Dated, May 10, 1931; due, demand; rate, 6 per cent; amount, \$122,978.07; secured.

Collateral held Jan. 10, 1933:

	Shares or par value
Central & Southwest common	6, 000
Insull Utility common	3, 000
Middle West common	200
Midland United convertible preferred A	25
Midland United common	1, 800
Northwest Utilities 7 per cent preferred	550
Midland United 6 per cent preferred, series 1	1, 500
Corporation Securities preferred	1, 000
Chicago North Shore & Milwaukee 6's, 55	\$2, 000
Corporation Securities 5's, 34, notes	34, 000
Corporation Securities 5's, 35, notes	7, 000
Hydro Electric Co., Virginia, 6's, 58, first mortgage	1, 000
Insull Utility 6's, 40, notes	1, 000
Missouri Gas & Electric 6's, 44, first mortgage	1, 300
National Public Service 5's, 78, debentures	39, 000
National Electric Power 6's, 78, debentures	2, 000
Central Power Light 6½, 51, first mortgage	1, 000
Wisconsin Power & Light 5's, 56, first mortgage	2, 000

Debtor: Hallan Huffman, former attorney, United Public Service Co.

Amount of loan: April 16, 1932, \$9,500; January 10, 1933, \$9,500.

Notes held January 10, 1933: Dated, June 2, 1932; due July 7, 1932; rate, 5½ per cent; amount, \$9,500; secured.

Collateral held Jan. 10, 1932:

	Shares or par value
Middle West Utility common	601
North West Utility Co. 7 per cent preferred	30
North West Utility Co. 7 per cent preferred L. preferred	40
Midland United Co. common	800

Debtor: Martin J. Insull, formerly president Middle West Utility Co.

Amount of loan: April 16, 1932, \$263,000; January 10, 1933, \$262,200.

Notes held January 10, 1933: Dated November 5, 1931; due, February 4, 1932; rate, 4½ per cent; amount, \$12,200; secured. Dated November 16, 1931; due, February 15, 1932; rate 4½ per cent, amount, \$100,000; secured. Dated September 29, 1931; due January 29, 1932; rate, 4¾ per cent; amount, \$150,000; secured.

Collateral held Jan. 10, 1933:

	Shares or par value
Associated Telegraph Utility common	2, 040
North American Light & Power common	515
Standard Oil of New Jersey	400
Insull first preferred	1, 500
Insull common	19, 000
Corporation Securities common	5, 000

Debtor: Samuel Insull.

Amount of loan: April 16, 1932, \$500,000; January 10, 1933, \$500,000.

Notes held January 10, 1933: Dated, February 20, 1931; due demand; rate, 4½ per cent; amount, \$500,000; secured.

Collateral held Jan. 10, 1933:

	Shares or par value
Corporation Securities V. T. C. common	98, 800
Corporation Securities Allot. certificates	1, 000
Insull Utilities first preferred	4, 000
Insull Utilities common	17, 500
Corporation Securities common	1, 856
Corporation Securities units	300

Debtor: Insull Utility Inv. (Inc.)

Amount of loan: April 16, 1932, \$2,840,286.70; January 10, 1933, \$2,812,577.70.

Notes held January 10, 1933: Dated, December 31, 1931; due, demand; rate, 5 per cent; amount, \$2,821,577.70; secured.

Collateral held Jan. 10, 1933:

	Shares or par value
Commonwealth Edison	12, 547
Middle West common	96, 256
Public Service N. I. N. P. common	3, 467
Peoples Gas	4, 200
Corporate Section of Chicago 3 Opt. preferred	35, 650
Corporate Section of Chicago common	36, 950

Debtor: F. R. Jenkins, manager Central Station Institute, affiliated with Commonwealth Edison, etc.

Amount of loan: April 16, 1932, \$22,597.78; January 10, 1933, \$3,966.86.

Notes held January 10, 1933: Dated, December 23, 1932; due, January 23, 1933; rate, 5½ per cent; amount, \$3,966.86; secured.

Collateral held January 10, 1933:

	Shares or par value
Insull Utilities Investments 5/50-P/preferred	10
Central & South West Utilities Co. common	101
Insull Utilities Investments common	10
Insull Utilities Investments second preferred	100
Middle West Utilities preferred	5
Bendix Aviation	180
Lincoln Printing	200
Midland United common	650
Federal reserve officer's check	\$177. 00
Federal reserve officer's check	\$10. 91
American Steel Foundries common	100
International Telephone & Telegraph common	25
Federal reserve bank officer's check	\$32. 50

Debtor: George R. Jones, treasurer Public Service Co. of Northern Illinois.

Amount of loan: April 16, 1932, \$40,124.65.

Purchased by City National Bank & Trust Co. January 4, 1933. Amount owing at time of purchase, \$31,124.65.

Debtor: Kathleen Keating, employee Commonwealth Edison Co.

Amount of loan: April 16, 1932, \$1,000; January 10, 1933, \$475.

Notes held January 10, 1933: Dated, December 16, 1932; due, January 16, 1933; rate, 6 per cent; amount, \$475.

Collateral held January 10, 1933:

	Shares or par value
Insull Utilities Investments Co	37
Middle West Utilities Co. common	50
Commonwealth Edison	1

Debtor: George A. Kemp, assistant secretary Utilities Security Co.

Amount of loan: April 16, 1932, \$6,750; January 10, 1933, \$6,198.79.

Notes held January 10, 1933: Dated, December 30, 1932; due, January 30, 1933; rate, 5½ per cent; amount, \$6,198.79; secured.

Collateral held January 10, 1933:

	Shares or par value
Middle West Utilities common	200
Commonwealth Edison common	10

Debtor: A. B. Leach & Co.

Amount of loan: April 16, 1932, \$820,330.98; January 10, 1933, \$291,795.05.

Notes held Jan. 10, 1933, due, demand; rate, 6 per cent:

	Amount secured
Dated July 28, 1931	\$14, 617. 83
Dated June 4, 1931	9, 136. 08
Dated Sept. 11, 1930	36, 544. 00
Dated July 10, 1930	91, 361. 50
Dated May 10, 1930	92, 667. 25
Dated July 16, 1931	9, 136. 08
Dated July 9, 1931	9, 136. 08
Dated May 4, 1931	25, 580. 50
Dated Apr. 24, 1931	3, 606. 29
Dated May 21, 1931	9. 44

Collateral held Jan. 10, 1933:

	Shares or par value
Allied Motor Industries (Inc.), common	8,600
Allied Motor Industries, \$4, cumulative preferred	785
Allied Motor Industries, 5-year 6 per cent, 34 convertible gold notes	10,000
American Service Co., common	7,650
Mississippi Valley Utility Investment Co., common	5,000
Middle West Utilities Co., common	1,729
National Terminal Corporation, 7 per cent cumulative convertible preferred, par \$25	7
National Terminal Corporation, \$1 preferred, no par	1,050
Seaboard Public Service Co., \$3.25 cumulative preferred	25
Van Sicklen Corporation, participating class A	2,145
Western Power Light & Telegraph Co., 7 per cent cumulative preferred 100	101

Debtor: H. J. Ludwig, assistant secretary Middle West Utilities Co.

Amount of loan: April 16, 1932, \$1,000; January 10, 1933, \$1,000.

Notes held January 10, 1933: Dated, May 17, 1932; due, June 15, 1932; rate, 6 per cent; amount, \$1,000; unsecured.

Debtor: Oliver E. McCormick, vice president Middle West Utilities Co.

Amount of loan: April 16, 1932, \$137,175.44; January 10, 1933, \$134,999.84.

Notes held January 10, 1933: Dated, July 11, 1930; due, demand; rate, 1 per cent; amount, \$57,971, secured; \$77,028.84, unsecured; total, \$134,999.84.

Collateral held Jan. 10, 1933:

	Shares or par value
Columbian Carbon V. T. C.	100
Continental Can	100
DuPont De Nemours common	100
General Food	100
Hershey Chocolate	100
International Nickel of Canada	100
International Telephone & Telegraph	100
Kennecott Copper	100
Paramount-Publix	100
United States Steel	100
Warner Bros. Picture common	100
Middle West Utility Co. common	500

Debtor: Helen McElligott, employee, Peoples Gas Co.

Amount of loan: April 16, 1932, \$600; January 10, 1933, \$200.

Notes held January 10, 1933: Dated January 9, 1933; due February 8, 1933; rate, 6 per cent; amount, \$200; secured.

Collateral held Jan. 10, 1933:

	Shares or par value
Insub Utility common	39
Peoples Gas Light & Coke	1
Corporation Securities Co. of Chicago common	10
Insub Utility Investment (Inc.) 5.50 prior preferred	5
Middle West Utilities Co. common	110

Debtor: Metropolitan District Realty Trust.

Amount of loan: April 16, 1932, \$300,000; January 10, 1933, \$291,363.53.

Notes held January 10, 1933, dated September 1, 1932; due October 31, 1932; rate, 6 per cent; amount, \$291,363.53; secured.

Collateral held Jan. 10, 1933:

	Shares or par value
Metropolitan Real Estate Improvement Co.	2,490
Suburban Construction Co.	240

Debtor: Metropolitan Real Estate Improvement Corporation successor to Metropolitan District Finance Co.

Amount of loan: April 16, 1932, \$200,000; January 10, 1933, \$187,460.43.

Notes held January 10, 1933: Dated September 1, 1932; due, October 31, 1932; rate, 6 per cent; amount, \$187,460.43; secured.

	Shares or par value
Collateral held Jan. 10, 1933:	
Sundry real estate mortgages, first	231, 445
Niles Center Improvement 6-2100, S/A 38, Dec. 31, 1933; 4,000, S/A 22, Dec. 31, 1935	6, 100
Sundry junior real estate mortgages	\$50, 783. 72

Debtor: Middle West Utilities Co.

Amount of loan: April 16, 1932, \$1,820,652.57; January 10, 1933, \$1,820, 652.57.

Notes held January 10, 1933: Dated, October 9, 1931; due, demand; rate, $4\frac{1}{2}$ per cent; amount, \$1,820,652.57; secured.

	Shares or par value
Collateral held Jan: 10, 1932:	
Arkansas-Missouri Power Co., preferred	263
Central Illinois Public Service	2, 103
Central & Southwest Utilities—	
Common	77, 859
7 per cent preferred	1, 174
6 per cent P/L	1, 700
Inland Power & Light, preferred	91
Kentucky Utilities, common	12, 525
Kansas Electric Power	8, 491
Michigan Gas & Electric—Common	1, 180
P/L	678
National Electric Power Co.—	
A	31, 397
B	71, 105
6 per cent preferred	105
Northwest Utility Co.—	
Common	40, 524
6 per cent preferred	3, 800
7 per cent P/L	1, 500
7 per cent preferred	2, 221
Southwestern Light & Power, 6 per cent preferred	1, 370
Commonwealth Edison	307
Peoples Gas Co.	270
Public Service, Illinois, common	12
Arkansas-Missouri Power Co.—	
6½-35 debentures	31, 100
First 6-53 first mortgage	36, 000
Indiana Electric Corporation, first C-5-51	8, 000
Inland Power & Light, first collection—	
A-6-36	30, 100
B-6-41	67, 000
C-6-57	39, 500
Debentures, 7-35	46, 100
National Electric Power debenture, 5-78	26, 700
National Public Service debenture, 5-78	4, 500
Northwest Public Service, first 5-57	30, 000
West Texas Utilities, first 5-57	10, 000
Pecos Valley Power & Light, first A 6½-37	25, 000

Debtor: Mississippi Valley Utility Investment Co.

Amount of loan: April 16, 1932, \$148,204.36; January 10, 1933, none.

Purchased by City National Bank & Trust Co., December 5, 1932. Amount owing at time of purchase, \$142,854.36.

Debtor: Belle M. Morrison, former employee Commonwealth Edison Co.

Amount of loan: April 16, 1932, \$600; January 10, 1933, \$586.50.

Notes held January 10, 1933: Dated March 14, 1932; due, May 13, 1932; rate, 6 per cent; amount, \$586.50; secured.

	Shares or par value
Collateral held January 10, 1933:	
Middle West common	66
Commonwealth Edison	3

Debtor: Florence M. O'Donnell, employee Chicago Rapid Transit Co.

Amount of loan: April 16, 1932, \$11,600; January 10, 1933, \$11,460.

Notes held January 10, 1933: Dated, December 9, 1932; due, January 9, 1933; rate, 6 per cent; amount, \$11,460; secured.

Collateral held Jan. 10, 1933:

	Shares or par value
Middle West common.....	500
Central South West Utilities common.....	100
North American Light & Power Co. common.....	50
Cinema Color Corporation, no par.....	50
General Electric Co. common, \$10 par.....	115
American Radiator & Standard Sanitary Corporation common.....	35
Chicago, South Shore & South Bend R. R. A preferred.....	50
Lake Superior District Power preferred.....	19
Consolidated Properties Trust.....	398

Debtor: Fred H. Scheel, vice president Utility Security Co.

Amount of loan: April 16, 1932, \$128,059; January 10, 1933, \$117,315.

Notes held January 10, 1933: Dated December 5, 1932; due, February 3, 1933; rate, 6 per cent; amount, \$104,515, secured; dated June 30, 1931; due, demand; rate, 4¾ per cent; amount, \$12,800, secured; total, \$117,315.

Collateral held Jan. 10, 1933:

	Shares or par value
Consolidated Properties Trust not incorporated common.....	250
Midwest common.....	5,000
Public Utilities Holding W. W.....	500
Central & Southwestern Utilities common.....	195
Peoples Gas.....	10
Continental Illinois Bank & Trust.....	27
Central Power & Light first 6½, 51.....	\$5,000
Commonwealth Light & Power refunding 7, 62.....	\$10,000
Southern United Gas Co. first L. 6, 37.....	\$5,000
Lincoln Printing Co. common.....	475
Public Service Northern Illinois no par common.....	110
Insull A 5, 59.....	\$16,000
Southland Ice first A 6, 42.....	\$5,000
International Utilities Corporation:	
3.50 prior preferred.....	70
1/75 preferred.....	40
B.....	500
B warrants.....	200
Ohio Public Service 5½ 61 first mortgage.....	\$5,000
Chrysler Corporation.....	100
Standard Oil of Indiana.....	100
Sears, Roebuck & Co.....	50
National Public Service A.....	100
National Tea Co. common.....	100
New York Central Railroad.....	50
Public Service sub A 5½, 49 debentures.....	\$12,000
Southwestern Gas & Electric 6—61 first mortgage.....	\$5,000
Midwest preferred.....	50
Middle West Utilities:	
5, 34 notes.....	\$9,000
5, 35 notes.....	\$9,000
South Building Corporation income two 5, 46.....	\$1,750
City of Chicago public benefit 4, 35.....	\$5,000
Western Power, Light & Telephone common.....	2,000
Public Service Northern Illinois 6 per cent preferred.....	10
Quivira Development Co. preferred.....	50
New England Public Service common.....	100
Montgomery Ward & Co. common.....	100
Northern Indiana Public Service preferred.....	18
Leach Corporation preferred.....	500
Allegheny Corporation preferred A.....	100
Insull common.....	5,000
Electric Bond & Share (new).....	52
Wabash Railroad common.....	100
Continental Chicago Corporation common.....	300
Central Illinois securities preferred.....	100
Central Illinois securities common.....	100
Corporation second 5—33 notes.....	\$5,000
Corporation second 5—35 notes.....	\$10,000

	Shares or par value
Collateral held Jan. 10, 1933—Continued.	
Central Illinois, Public Service 6 per cent preferred	50
Central & South Western Utility preferred \$7	50
Commonwealth subs. 5½, 48	\$5, 000
Arkansas Missouri Power, 6½, 35	\$5, 000
North American Light & Power 5½, 56	\$5, 000
Standard Power & Light 6 57	\$5, 000
Gary Electric & Gas 5, 36	\$5, 000

Debtor: John A. Seymour, auditor Chicago Rapid Transit Co.

Amount of loan: April 16, 1932, \$3,250; Jan. 10, 1933, \$3,100.

Notes held Jan. 10, 1933, dated, Nov. 9, 1932; due, Jan. 9, 1933; rate, 5½ per cent; amount, \$3,100; secured.

Guarantor: Anna E. Seymour.

	Shares or par value
Collateral held Jan. 10, 1933:	
Insull Utilities second prior preferred	25
Chicago Rapid Transit preferred A	5
Chicago Rapid Transit adjustment debentures, 6, 63 C/D	2, 000
Middle West Utilities common	500
Chicago Rapid Transit 6½, 44	1, 000

Debtor: Nan Siljestrom.

Amount of loan: April 16, 1932, \$2,350; Jan. 10, 1933, \$1,830.

Notes held Jan. 10, 1933, Dated, June 15, 1932; due, June 1, 1933; rate, 6 per cent; amount, \$1,830; secured.

	Shares or par value
Collateral held Jan. 10, 1933:	
Insull Utilities Investment common	153
Corporation Securities common	2
J. D. Adams Manufacturing Co.	50
Midland United Co. common	2
North American Light & Power Co. common	1
Lincoln Printing Co. 7 per cent preferred	11
Middle West Utilities Co. common	5

Debtor: Skokie Valley Realty Association.

Amount of loan: April 16, 1932, \$460,000; January 10, 1933, \$460,000.

Notes held January 10, 1933, dated December 5, 1930; due, demand; rate, 6 per cent; amount, \$460,000; secured.

	Shares or par value
Collateral held Jan. 10, 1933:	
Chicago, North Shore & Milwaukee R. R. preferred	12, 351
Chicago, North Shore & Milwaukee R. R. 7 per cent P/L	5, 400

Debtor: Lloyd O. Taylor, former employee Middle West Stock Transfer Co.

Amount of loan: April 16, 1932, \$2,150; January 10, 1933, \$2,004.03.

Notes held January 10, 1933, dated June 8, 1932; due, July 8, 1932; rate, 5½ per cent; amount, \$2,004.03; secured.

Collateral held January 10, 1933: Insurance policy New York Life Insurance Co., \$2,000.

Debtor: Charles E. Thompson, vice president Chicago Rapid Transit.

Amount of loan: April 16, 1932, \$50,500; January 10, 1933, \$50,500.

Notes held January 10, 1933, dated January 12, 1932; due, demand; rate, 6 per cent; amount, \$50,500; secured.

	Shares or par value
Collateral held Jan. 10, 1933:	
Chicago, North Shore, Milwaukee R. R. common	276
Chicago, North Shore, Milwaukee R. R. 6 per cent preferred	276
Chicago Aurora Elgin P/P 7 per cent preferred	90
Consolidated Prop. trust certificate for common	2, 985
Lake Co. Land Association common	50
Insull common	300
Inland investment	200
Corporation Securities common	200
Life insurance policy, Aetna	23, 000
Do	20, 000
Corporation Securities preferred 3 optional	200

Debtor: Utility Securities Corporation.

Amount of loan: April 16, 1932, \$1,789,965.53; January 10, 1933, \$1,787,014.89.

Notes held Jan. 10, 1933:

Dated Mar. 25, 1931; due, demand; rate 4½ per cent; amount (secured)-----	\$500,000.00
Dated, Nov. 4, 1929; due, demand; rate, 4½ per cent; amount (secured)-----	500,000.00
Dated, June 10, 1931; due, demand; rate, 4½ per cent; amount (secured)-----	500,000.00
Dated, Oct. 22, 1929; due, demand; rate, 4½ per cent; amount (secured)-----	512,014.89

2,012,014.89

Less participation sold to Central Illinois Security Co.----- 225,000.00

1,787,014.89

Collateral held Jan. 10, 1932:

	Shares or par value
Consumers 6 per cent prior preferred-----	1,842
Michigan Public Service 6 per cent preferred-----	100
Municipal service preferred W/W-----	5,300
Insull Utility common-----	83,267
Midland United convertible preferred A-----	4,900
Corporation Securities common-----	61,460
Peoples Gas-----	1,700
Midwest common-----	97,001
Midwest preferred-----	300
Insull Utility second preferred-----	2,630
Central & Southwest common-----	76,906
Commonwealth Edison-----	700
Midland United common-----	51,091
Public Service \$100 par common-----	400
Public Service no par common-----	300
Southwest Light & Power preferred-----	600
Georgia Power & Light preferred-----	132
Seaboard P. S. 6 per cent preferred-----	567
Insull first preferred-----	1,000
Corporation Securities preferred-----	5,350
National Electric Power A-----	11,832
Midland Utilities 7 per cent preferred A-----	2,000
Midland Utilities 6 per cent P/L-----	3,100
Western United Gas & Electric 6 per cent preferred-----	314
New England Public Service 7 per cent P/L-----	371
Insull Utility 6 per cent 40-----	149,000
American Service 6½-34 debentures C/D-----	108,000

Debtor: George W. Williamson, treasurer, Commonwealth Edison Co.

Amount of loan: April 16, 1932, \$27,344.50; January 10, 1933, \$27,434.50.

Notes held January 10, 1933, dated, April 3, 1931; due, demand; 4½ per cent; amount, \$27,434.50; secured.

Collateral held Jan. 10, 1933:

	Shares or par value
Commonwealth Edison-----	235
Columbia Gas & Electric common-----	100
Midwest common-----	600
Insurance policies—	
New York Life-----	5,000
Aetna Life-----	5,000

Debtor: M. A. Williamson, sister of George W. Williamson.

Amount of loan: April 16, 1932, \$8,218.75; January 10, 1933, \$8,218.75.

Notes held January 10, 1933:

Dated, October 6, 1930; due, demand; rate, 6 per cent; amount (secured) \$2,700.00.

Dated, November 13, 1929; due, demand; rate, 6 per cent; amount (secured) \$5,518.75.

Collateral held Jan. 10, 1933:

Shares or
par value

Midwest common-----	196
Consolidated Gas New York common-----	25
Commonwealth Edison-----	35
Public Service Co. Northern Illinois 100 par-----	2
Columbia Gas & Electric-----	100

Aggregate of the attached loans April 16, 1932, \$11,977,400.68.

Aggregate of the attached loans January 10, 1933, \$11,130,233.70.

Mr. PECORA. General, are you personally familiar with the circumstances surrounding the creation of this so-called stand-still agreement among the banks that were creditors of the Insull companies, in December of 1931?

Mr. DAWES. No; I know nothing about that. I was out of the country. When all these things occurred that were testified to this morning, I was out of the country. I have been over here only a few months in the last two or three years.

Mr. PECORA. I think there is nothing more we want of the general, Senator.

The CHAIRMAN. That will be all. The witness will be excused.

Mr. PECORA. Mr. Timmerman, will you please come forward?

The CHAIRMAN. Mr. Timmerman, you do solemnly swear that you will tell the truth, the whole truth, and nothing but the truth, regarding the matter now under investigation by the committee, so help you God?

Mr. TIMMERMAN. I do.

STATEMENT OF LOUIS F. TIMMERMAN, ASSISTANT VICE PRESIDENT, CENTRAL HANOVER BANK & TRUST CO., NEW YORK CITY

Mr. PECORA. Will you give your full name, address, and business or occupation to the reporter, please?

Mr. TIMMERMAN. Louis F. Timmerman; an officer of the Central Hanover Bank & Trust Co., 70 Broadway, New York City.

Mr. PECORA. What office do you hold in that bank?

Mr. TIMMERMAN. I am assistant vice president.

Mr. PECORA. How long have you been connected in that capacity?

Mr. TIMMERMAN. I have been connected in that capacity since the latter part of 1930.

Mr. PECORA. Before that, were you connected with the bank in any other capacity?

Mr. TIMMERMAN. I came with the bank in July of 1930, as manager of one of their branch offices.

Mr. PECORA. Have you familiarized yourself, Mr. Timmerman, with the general nature of loans made by that bank prior to 1932, to any of the so-called Insull companies?

Mr. TIMMERMAN. Yes; I have.

Mr. PECORA. What was the total amount of loans which were outstanding, and which have been made by your bank to any of those companies, on the 31st of December, 1931?

Mr. TIMMERMAN. There is \$3,500,000, secured—

Mr. PECORA. Made to whom?

Mr. TIMMERMAN. To the Insull Utility Investments. There is \$4,000,000 secured to the Corporation Securities Co.

Mr. PECORA. That is the Corporation Securities Co. of Chicago?

Mr. TIMMERMAN. Yes.

Mr. PECORA. That is an Insull investment trust?

Mr. TIMMERMAN. An Insull investment trust; Insull Utility, Corporation Securities, and companies of a similar nature.

Mr. PECORA. Were there any other loans outstanding at that time to any Insull companies?

Mr. TIMMERMAN. We had another loan that had no connection with this group, secured by an entirely different collateral, of eastern properties.

Mr. PECORA. When was the loan of \$3,500,000 to the Insull Utility Investments Co. made?

Mr. TIMMERMAN. That was made on June 26 of 1931.

Mr. PECORA. When was the loan of \$4,000,000 made to the Corporation Securities Co. of Chicago?

Mr. TIMMERMAN. The latter part of December, 1930. Both these loans, I might add, had come on for shorter periods. These represented renewals. You are asking for the original date now?

Mr. PECORA. Yes.

Mr. TIMMERMAN. December of 1930.

Mr. PECORA. Can you give me the exact date in December, 1930?

Mr. TIMMERMAN. December 17, 1930.

Mr. PECORA. Did you handle any of the negotiations leading up to the making of either one of these loans, Mr. Timmerman?

Mr. TIMMERMAN. No; but I am familiar with them.

Mr. PECORA. From what sources did you become familiar with them, through what channels?

Mr. TIMMERMAN. I first heard about these loans in the latter part of June, 1931, and Mr. Gray told me that our bank had agreed to make the loan to Insull Utility Investments.

Mr. PECORA. Who is Mr. Gray? What is his full name, and what connection has he with your bank?

Mr. TIMMERMAN. Mr. Gray is now the president of our bank. At that time, he was a vice president of the bank.

Mr. PECORA. Did you have anything to do with the negotiations that culminated in the making of the \$4,000,000 loan on December 17, 1930 to the Corporation Securities Co.?

Mr. TIMMERMAN. No. That loan was already on when I first heard about it.

Mr. PECORA. Have you familiarized yourself with the circumstances of the making of that loan?

Mr. TIMMERMAN. I am familiar with the circumstances of the making of both loans.

Mr. PECORA. Let us take the first loan, made in point of time, that is, the \$4,000,000 loan to the Corporation Securities Co. of Chicago. That was made December 17, 1930, you say?

Mr. TIMMERMAN. Yes; a six months loan.

Mr. PECORA. Will you please narrate the circumstances, so far as you understand them, that surrounded the making of that loan? In stating them, also tell the committee the source of your information with respect to those circumstances.

Mr. TIMMERMAN. Yes. Part of it is general information. I think you will see as I go along how it works out.

Mr. PECORA. All right, sir.

Mr. TIMMERMAN. We had had an account from the Peoples Gas Co. of Chicago, one of the operating companies, for about 40 years, a very valuable account. I think it ran some three or four hundred thousand dollars. Mr. Samuel Insull was chairman of the board of that company. The loans to Corporation Securities Co. and to Insull Utility Investments were made at the request of Mr. Insull, based on the collateral that was offered, with a margin of 40 per cent that was to be maintained. This collateral consisted of the highest grade operating company stocks, Commonwealth Edison, Peoples Gas, and Public Service of Northern Illinois, all with active markets, all having substantial earnings. At the time the loans were made, the Insull companies and the entire Insull structure were in highest repute in the banking world. Most other banks in New York and Chicago already had loans at that time, and it was looked upon as entirely acceptable, and good business, to make loans against this type of collateral, with the margin that was to be maintained.

Mr. PECORA. Was it known at that time by the officers of your bank that Insull Utility Investments Co. and Corporation Securities Co. of Chicago were simply investment trusts for the Insull operating companies and other Insull companies? Can you answer that?

Mr. TIMMERMAN. I am not certain that it was known at the time the loans were agreed to. They were made primarily against the collateral. We learned that, of course, as we went along.

Mr. PECORA. At the time these loans were made, were there any other loans outstanding which had been made by your bank to any other companies in the so-called Insull group?

Mr. TIMMERMAN. Yes; there was. There was a loan, as I said before, against entirely different collateral, in eastern companies.

Mr. PECORA. What was the aggregate amount of those outstanding loans?

Mr. TIMMERMAN. The aggregate amount of that loan on December 17, 1931—

Mr. PECORA. 1930, wasn't it?

Mr. TIMMERMAN. I am not sure there was any out at that date, but on the other date you asked me about—

Mr. PECORA. What was the amount? You mean June 26, 1931?

Mr. TIMMERMAN. On June 26, there was \$10,000,000 out to that company.

Mr. PECORA. To what company?

Mr. TIMMERMAN. In December, there was \$5,000,000.

Mr. PECORA. To what company?

Mr. TIMMERMAN. National Public Service.

Mr. PECORA. Was that an Insull company?

Mr. TIMMERMAN. That was known as an Insull company. It was a holding company for eastern properties, and had no relation. The collateral was collateral of companies in the East.

Mr. PECORA. What other loans were outstanding to any Insull company?

Mr. TIMMERMAN. Those were the only loans.

Mr. PECORA. \$10,000,000?

Mr. TIMMERMAN. You asked about a certain date. I think it was December, 1931. That loan was \$5,000,000.

Mr. PECORA. No. I mean, when the two loans, respectively, for \$3,500,000 to the Insull Utility Investments, and of \$4,000,000 to the Corporation Securities Co. of Chicago, were made—

Mr. TIMMERMAN. \$10,000,000 at that time.

Mr. PECORA. Were there any other loans that your bank had made, and which were still outstanding, to any other Insull company?

Mr. TIMMERMAN. The Corporation Securities loan was made in December, 1930, the Insull Utility Investments in June of 1931.

Mr. PECORA. Yes.

Mr. TIMMERMAN. I think between those two dates the National Public Service loan was made.

Mr. PECORA. For \$10,000,000?

Mr. TIMMERMAN. Yes. I know the amount, and I think it was between those two dates.

Mr. PECORA. Do you know of any other outstanding loan in 1930 or 1931, made by your bank to any Insull corporation?

Mr. TIMMERMAN. No; I do not. Those are the only ones.

Mr. PECORA. At the time the loan that has been referred to as a loan for \$3,500,000 to the Insull Utility Investments was made, was it originally made for that sum?

Mr. TIMMERMAN. No.

Mr. PECORA. What was the original amount of the loan?

Mr. TIMMERMAN. Both the Corporation Securities and the Insull Utility Investments were originally \$5,000,000 each.

Mr. PECORA. When were they originally made at those figures?

Mr. TIMMERMAN. As I said.

Mr. PECORA. When?

Mr. TIMMERMAN. The Corporation Securities, in December of 1930, and the Insull Utility Investments in June of 1931.

Mr. PECORA. When was the loan of \$10,000,000 to the National Public Service Corporation or company made?

Mr. TIMMERMAN. My best memory on that—that loan came to an entirely separate division that I had no close contact with, but my best memory is that it was between those two dates.

Mr. PECORA. Some time in the first six months of 1931, is that right?

Mr. TIMMERMAN. That is what I think it was.

Mr. PECORA. Was that the last one of these three loans that aggregated \$20,000,000?

Mr. TIMMERMAN. Was the Insull Utility—

Mr. PECORA. The one made on June 26, 1931, to the Insull Utility Investments Co.

Mr. TIMMERMAN. That is correct.

Mr. PECORA. And on that date, namely, June 26, 1931, what was the capital and surplus of your bank?

Mr. TIMMERMAN. I can not answer you exactly, but it was in excess of \$100,000,000. I think about \$104,000,000.

Mr. PECORA. It was not in excess of \$200,000,000, was it?

Mr. TIMMERMAN. No; it was not.

Mr. PECORA. Is your bank a State bank or a national bank?

Mr. TIMMERMAN. It is a State bank.

Mr. PECORA. Incorporated under the laws of the State of New York?

Mr. TIMMERMAN. New York State.

Mr. PECORA. And the legal limitation, under the banking laws of that State, upon the amount that any bank may lend to a borrower, is 10 per cent of its capital and surplus, is it not?

Mr. TIMMERMAN. Only on unsecured loans; on secured loans, 25 per cent.

Mr. PECORA. At the time the \$5,000,000 loan was made to the Insull Utility Investments Co. on June 26, 1931, do you know whether or not your bank treated that loan as having been made to the so-called Insull group, or to a corporation that was a component or unit of the Insull group?

Mr. TIMMERMAN. I do not know that we considered it particularly from the point of view of the borrower. We considered it from the point of view of the collateral.

Mr. PECORA. I do not think that answers the question.

Mr. TIMMERMAN. You asked me, I think, if we considered that as a loan—

Mr. PECORA. As a loan that was being made to a unit of the Insull group of public utility companies.

Mr. TIMMERMAN. It was a loan to a unit of the Insull companies.

Mr. PECORA. Was it known to be such to your bank at the time, if you can tell us?

Mr. TIMMERMAN. It is difficult for me to answer that, because I actually did not take part in those negotiations. I think it was looked upon as a loan that Mr. Insull had asked for, against satisfactory and ample collateral.

Mr. PECORA. Had he asked for the other two loans, namely, the one of \$5,000,000 made in December, 1930, to the Corporation Securities Co., and the one of \$10,000,000 that was made early in 1931 to the National Public Service Co.?

Mr. TIMMERMAN. I do not know whether he did. I have an impression that the National Public Service loan was entirely handled by its own officers in New York City, but I may be incorrect in that. I had nothing to do with any of the dealings on that.

Mr. PECORA. Did you take part in any discussions or conferences that were held during the month of December, 1931, with respect to the loans which your bank then had outstanding against the Insull companies?

Mr. TIMMERMAN. Not conferences with anyone outside of our bank, or outside of the officers of the Insull companies, that I recall.

Mr. PECORA. So far as you know, who did have such conferences with persons outside of your bank, among those officials connected with your bank?

Mr. TIMMERMAN. I do not recall that there were any such conferences in December of 1931.

Mr. PECORA. Were there any prior to December, 1931, with respect to the maturity, or impending maturity of any of these loans held by your bank?

Mr. TIMMERMAN. Not that I know of; and I am reasonably certain there were none.

Mr. PECORA. Do you know a Mr. C. B. Stuart?

Mr. TIMMERMAN. I have met a Mr. Stuart of Hasley, Stuart & Co. I am not sure which one Mr. C. B. Stuart is. Is he the New York man?

Mr. PECORA. Yes, I believe he is.

Mr. TIMMERMAN. That is the one I have met, then. I have met him once or twice.

Mr. PECORA. Do you know him to be a brother of Mr. H. L. Stuart, president of Hasley, Stuart & Co.?

Mr. TIMMERMAN. He is.

Mr. PECORA. Halsey, Stuart & Co. have offices at 35 Wall Street in New York, have they not?

Mr. TIMMERMAN. They have an office in New York.

Mr. PECORA. Their business is that of investment bankers and dealers in securities?

Mr. TIMMERMAN. That is what I have heard them termed. I am not particularly familiar with their operations.

Mr. PECORA. Did you have any conversations with Mr. C. B. Stuart with respect to the loan that was made to the Insull Utility Investments Co.?

Mr. TIMMERMAN. Yes. I had a very brief conversation with him in July of 1931. I asked him for certain data which he supplied me with, on the ownership of the two corporations, Insull Utility and Corporation Securities.

Mr. PECORA. Did he furnish those data in writing, or by word of mouth?

Mr. TIMMERMAN. He furnished it in writing, I think.

Mr. PECORA. Have you got the writing?

Mr. TIMMERMAN. I believe I have.

Mr. PECORA. Will you produce it, please?

Mr. TIMMERMAN. It may take some little time.

Mr. PECORA. Just pick it out. Take whatever time is necessary.

Mr. TIMMERMAN. Here is a letter from Mr. Stuart inclosing that information [producing paper].

Mr. PECORA. Mr. Chairman, the witness produces a letter purporting to be signed by C. B. Stuart, written on the letterhead of Halsey, Stuart & Co., dated New York, August 17, 1931, from No. 35 Wall Street, New York. The letter is brief, Mr. Chairman. May I read it right into the record?

The CHAIRMAN. Read it into the record.

Mr. PECORA (reading):

Mr. L. F. TIMMERMAN,
*Assistant Vice President Central Hanover Bank & Trust Co.,
70 Broadway, New York City.*

DEAR MR. TIMMERMAN: Inclosed you will find copy of a letter from Mr. Insull, together with two memorandums setting forth the ownership of various stocks of Insull Utility Investments (Inc.), and Corporation Securities Co. of Chicago. I sincerely hope that this is what you want, but if not, please let me know. I am sorry that I could not get this information to you sooner, but it just was not possible. Will you be sure and see that this matter is brought to the attention of Mr. Davison? Please keep this information in confidence.

Very sincerely,

C. B. STUART.

The witness also hands me with this letter what purports to be a copy of a letter addressed under date of August 14, 1931, to Messrs. Halsey, Stuart & Co., 201 South La Salle Street, Chicago, Ill., reading as follows:

DEAR SIR: Referring to Mr. Charles B. Stuart's letter to Mr. F. K. Schrader of August 4, asking for information as to the approximate distribution of Insull Utility Investments (Inc.), common stock, and the extent of ownership of the Insull family and yourselves, I thought it better to give you a statement, not only of Insull Utility Investments (Inc.), ownership of both preferred and common stocks, but also a similar statement with relation to Corporation Securities Co. of Chicago.

You may remember the Corporation Securities Co. of Chicago was originally formed so as to establish a voting control of Insull Utility Investments (Inc.). You are quite welcome to hand these two statements inclosed to Mr. Davison, of the Central Hanover Bank & Trust Co., for whom Mr. Charles B. Stuart made the inquiry.

Yours truly,

SAMUEL INSULL.

The Mr. Davison referred to in these two communications is Mr. George W. Davison, who then was president of your bank, is it not?

Mr. TIMMERMAN. Yes, sir.

Mr. PECORA. What is his connection with the bank to-day?

Mr. TIMMERMAN. Mr. Davison is chairman of the board of our bank.

Mr. PECORA. The letter that I first read into the record, being the one addressed to you by Mr. C. B. Stuart, refers to an inclosure of two memorandums. You have produced only one. Have you the other memorandum referred to in Mr. Stuart's letter to you?

Mr. TIMMERMAN. I think so. You will have to give me a little time here. There are several captions to go through.

Mr. PECORA. Go ahead. While you are looking for that second memorandum that accompanied Mr. Stuart's letter to you of August 17, 1931, let me ask you, Mr. Timmerman, if you have with you a copy of Mr. Charles B. Stuart's letter to Mr. F. K. Schrader of August 4, which is referred to in the copy of Mr. Samuel Insull's letter to Halsey, Stuart & Co. dated August 14, 1931?

Mr. TIMMERMAN. No; we have not got that.

Mr. PECORA. Who is Mr. F. K. Schrader, who is referred to in Mr. Insull's letter of August 14, 1931?

Mr. TIMMERMAN. I do not know who he is.

Mr. PECORA. Do you know him to be an officer or person connected with Halsey, Stuart & Co.'s organization?

Mr. TIMMERMAN. The name is entirely unfamiliar to me. I do not know.

Mr. PECORA. Have you any other letter, document, or memorandum of any kind in your file relating to the subject matter of Mr. C. B. Stuart's letter to you of August 17, 1931?

Mr. TIMMERMAN. I do not think so. We have those memorandums he refers to, and that is all. I can not locate those at the moment, but we will find them.

Mr. PECORA. Mr. Stuart's letter to you refers to the hope that the information that he is conveying to you by his letter is what you want. Was it what you wanted?

Mr. TIMMERMAN. It was.

Mr. PECORA. What, exactly, was the information that you were then seeking?

Mr. TIMMERMAN. I wanted to know who controlled these two companies.

Mr. PECORA. You were making this inquiry after the loans had been made by your bank?

Mr. TIMMERMAN. Exactly so.

Mr. PECORA. What was your purpose in seeking that information some months after the loans had been made?

Mr. TIMMERMAN. Purely as a matter of information.

Mr. PECORA. Did you consider it of importance to the bank?

Mr. TIMMERMAN. In my position as the loaning officer, questions like that might occur to me, and at a convenient opportunity I might ask for them. That is exactly what happened in this case.

Mr. PECORA. In your testimony at the outset you emphasized the proposition that in the making of these loans to these companies, the collateral was the important thing, and not anything concerning the identity of the borrowers. Do you recall that?

Mr. TIMMERMAN. That is true.

Mr. PECORA. Why did you want this information that you sought of Mr. Stuart, and which you got through the medium of his letter to you of August 17, 1931?

Mr. TIMMERMAN. Simply as a matter of general information. I was supposed to be familiar with those loans, to follow them, and in my capacity as such, I asked these questions, with no second thought behind them.

Mr. PECORA. Did you attempt to get this information from any of the officers of your bank before you sought it through Mr. Stuart?

Mr. TIMMERMAN. No; I did not. I did not exactly seek it from him. It came up naturally.

Mr. PECORA. Why did you seek it from Mr. Stuart, or Halsey, Stuart & Co. What prompted you to believe that Mr. Stuart could give you that information?

Mr. TIMMERMAN. As I recall the circumstances, Mr. Stuart was in the office one day. I was introduced to him at that time, and the suggestion was made that if there was anything I wanted to ask him about the Insull companies, I might ask him for it, and I asked him for this information.

Mr. PECORA. You then had some reason to believe that the Insull Utility Investments Co. and the Corporation Securities Co. of Chicago were Insull corporations, and you wanted to verify the fact. Was that your purpose?

Mr. TIMMERMAN. No. I knew they were Insull corporations at that time.

Mr. PECORA. You were seeking information concerning the extent of the ownership of the preferred and common stocks of Insull Utility Investments (Inc.), of Mr. Samuel Insull and members of his family, were you not?

Mr. TIMMERMAN. That is correct.

Mr. PECORA. Why did you want that information?

Mr. TIMMERMAN. I explained to you why I wanted it, before, Mr. Pecora, for no other reason than general information.

Mr. PECORA. How was it of value to you to know, in view of the fact that the loans had been made months before by your bank, the extent of the stock ownership of Mr. Samuel Insull and members of his family in these two investment trusts?

Mr. TIMMERMAN. It was not particularly valuable, except as a matter of general information.

Mr. PECORA. Did you ask concerning the stock ownership of any other persons in these two investment trusts?

Mr. TIMMERMAN. No; I did not.

Mr. PECORA. When was the first payment on account of any of these loans?

Mr. TIMMERMAN. The first payment made was on the National Public Service loan of \$3,000,000. I can not give you the exact date,

but it was made some time in June of 1931, or July of 1931. The first payment on these two particular loans, which are of the same type, the Insull Utility and Corporation Securities, was made in September of 1931, on the Insull Utility Investments loan. That was a payment of \$1,000,000.

Mr. PECORA. How was that apportioned as between the two loans?

Mr. TIMMERMAN. That was only against the one loan.

Mr. PECORA. Which was it?

Mr. TIMMERMAN. The Insull Utility loan was a 3-month loan, coming due in September, and at that time the payment of \$1,000,000 was made against that. The Corporation Securities was a 6-months loan, renewed from the end of June, and coming due at the end of December.

Mr. PECORA. Was it renewed for the full amount in June, 1931?

Mr. TIMMERMAN. Renewed for the full amount.

Mr. PECORA. When was the first payment made in reduction of that loan?

Mr. TIMMERMAN. In December of 1931.

Mr. PECORA. How much of a payment was then made on account of that loan?

Mr. TIMMERMAN. On the Corporation Securities, \$1,000,000 was paid in December.

Mr. PECORA. At that time was any payment made in reduction of the loan of the Insull Utility Investments Co.

Mr. TIMMERMAN. \$500,000.

Mr. PECORA. At that time was any payment made in reduction of the loan of the National Public Service Co.?

Mr. TIMMERMAN. The National Public Service had been reduced twice by that time, once by \$3,000,000, and again by \$2,000,000, so it stood at \$5,000,000 at the time.

Mr. PECORA. When was the \$2,000,000 payment made on account of that loan?

Mr. TIMMERMAN. In October.

Mr. PECORA. In December, 1931, when the Corporation Securities Co. loan was reduced by \$1,000,000, and the Insull Utility Investments loan was reduced by \$500,000, had your bank been in communication or conference with any other bank or banks, either in New York or Chicago, that were creditors of the Insull companies?

Mr. TIMMERMAN. Yes.

Mr. PECORA. Had you personally taken part in those communications, or conferences?

Mr. TIMMERMAN. I do not recall any definite conferences between the banks at that time.

Mr. PECORA. If there were any, you did not take part in them personally?

Mr. TIMMERMAN. Exactly. In the latter part of December, the question of this stand-still agreement came up.

Mr. PECORA. Who brought it to your notice originally?

Mr. TIMMERMAN. I think Mr. Davison and Mr. Gray, and about the same time Mr. Samuel Insull, jr.

Mr. PECORA. Were you requested by Mr. Davison and Mr. Gray, or either of them, to do anything on behalf of your bank with respect to this stand-still proposed agreement?

Mr. TIMMERMAN. I had to do with the handling of all these things.

Mr. PECORA. What did you do in respect of it?

Mr. TIMMERMAN. At the time that they requested it, we signified that, in principle, we would go along on the proposition if the rest of the banks did.

Mr. PECORA. What was that proposition?

Mr. TIMMERMAN. That all the banks renew their loans until, I think, June 15, of 1932, approximately six months; that none of the banks ask for additional collateral during that period. Now, then, at that time, when they asked for that, I asked Mr. Samuel Insull, jr., for certain data to prove to me that the Insull Utility and the Corporation Securities could get by during the succeeding year, and they supplied me with those data.

Mr. PECORA. Were the data satisfactory to you, and did they convey to you the assurances that you were seeking?

Mr. TIMMERMAN. They did; and after that we formally——

Mr. PECORA. What were the data that they submitted to you at that time?

Mr. TIMMERMAN. It was an estimate income and disbursement account for the succeeding year.

Mr. PECORA. Estimated income?

Mr. TIMMERMAN. It had to be. I think they had an actual one up to that date, of the current year 1931, and a projected one for the succeeding year.

Mr. PECORA. Were the earnings shown on that statement of the estimated earnings for 1932 greater than those which were shown to have accrued for the year 1931?

Mr. TIMMERMAN. I can not answer that. The best answer I can give you to what you are getting at, is that both showed, as I recall, a comparatively moderate deficit for the succeeding year, something like \$100,000, whereas they both had cash on hand very substantially in excess of that.

Mr. PECORA. Did you think that they could get by for the ensuing year on statements showing deficits?

Mr. TIMMERMAN. Yes. The chief trouble is that their obligations were coming due, and they were to be deferred for six months, which automatically took care of their major problem.

Mr. PECORA. The obligations you refer to were all the bank loans?

Mr. TIMMERMAN. Exactly.

Mr. PECORA. There were a number of banks that held those loans?

Mr. TIMMERMAN. Exactly.

Mr. PECORA. Some in Chicago and some in New York?

Mr. TIMMERMAN. Yes.

Mr. PECORA. Do you know what the aggregate amount was of the bank loans at that time?

Mr. TIMMERMAN. Yes, I do.

Mr. PECORA. And what was it?

Mr. TIMMERMAN. The aggregate amount of the loans was about \$78,000,000, split, roughly, \$51,000,000 to one of the companies——

Mr. PECORA. Which one?

Mr. TIMMERMAN. Insull Utility Investments, to my memory, and \$26,000,000 or \$27,000,000 to the other company.

Mr. PECORA. The Corporation Securities Co.?

Mr. TIMMERMAN. Yes. That was the aggregate amount of loans by quite a large group of banks, both in Chicago and New York.

Mr. PECORA. How was that aggregate amount apportioned as between the New York banks as a group, and the Chicago banks as a group? Can you tell us that?

Mr. TIMMERMAN. In a general way, I should say that the major portion was held in Chicago, possibly in the ratio of 3 to 2, or something of that sort.

Mr. PECORA. Do you know from what sources——

Senator FLETCHER. The testimony here was that the major portion was held in New York.

Mr. TIMMERMAN. I know; but as far as these two companies go, that certainly is not my memory. I can almost name offhand——

Senator FLETCHER. Had these companies met their obligations to your bank promptly?

Mr. TIMMERMAN. Yes, they had. They had handled their loans correctly throughout our experience with them.

Senator FLETCHER. Had you been pressing them any before this talk about a stand-still agreement?

Mr. TIMMERMAN. We had not.

Mr. PECORA. Are you sure of that, Mr. Timmerman, that you had not been pressing them for any payment on account of these loans?

Mr. TIMMERMAN. We had not been pressing them for payment on account of these loans. We expected payments on these loans at maturity, and we were given those payments.

Mr. PECORA. Did you indicate that your bank would not go into the stand-still agreement with the other banks unless some payments were made in reduction of your loans?

Mr. TIMMERMAN. Absolutely not. Those arrangements were made before the stand-still agreements were ever spoken of.

Mr. PECORA. Who made those arrangements in behalf of your bank?

Mr. TIMMERMAN. Mr. Davison and Mr. Samuel Insull, but I am familiar with that.

Mr. PECORA. You are familiar with that from hearsay, are you not?

Mr. TIMMERMAN. Exactly.

Mr. PECORA. Have you a copy of the proposed stand-still agreement that you have referred to?

Mr. TIMMERMAN. Yes, I have.

Mr. PECORA. Will you produce it, please?

Mr. TIMMERMAN. Would you like to read an excerpt I made at the time we signed it, that sums it up?

Mr. PECORA. No; I would rather have the agreement itself. Have you a copy of the agreement?

Mr. TIMMERMAN. Yes. [Producing papers.]

Mr. PECORA. The one you produce purports to be attached to an original document.

Mr. TIMMERMAN. The original was returned to the company.

Mr. PECORA. During the pendency of these loans by your bank prior to December, 1931, had your bank made any demands upon the borrowers for additional collateral to secure these loans?

Mr. TIMMERMAN. Yes. The original agreement was that the 40 per cent margin was to be maintained. As the market declined on these stocks, we sent out margin calls for additional collateral.

Mr. PECORA. Were those margin calls responded to?

Mr. TIMMERMAN. They were.

Mr. PECORA. How many times were those calls made and responded to, up to——

Mr. TIMMERMAN. I can not definitely answer that, but they were rather frequent, particularly in the fall of 1931.

Mr. PECORA. Did you know that both these companies that had borrowed these moneys from your bank had issued and sold to the public, to the extent of millions of dollars, certain debenture bonds or so-called gold notes, which were really debentures?

Mr. TIMMERMAN. Our bank has no security selling affiliate. We are not engaged in the distribution of securities. I learned that subsequent to the making of the loans.

Mr. PECORA. Did you learn that before the last call for additional collateral was made by your bank and responded to by the borrowers?

Mr. TIMMERMAN. I must have learned that as soon as I got financial statements, some time in the summer of 1931.

Mr. PECORA. Have you brought with you any data from the files of your bank that would show the dates on which calls for additional collateral were made and complied with?

Mr. TIMMERMAN. No; I have not. I can only give you a general idea. There were a few during the summer.

Mr. PECORA. Do you not have such information as a matter of record in the files of your bank?

Mr. TIMMERMAN. We have that in the mechanical end of the loan department, where they are sent out from.

Mr. PECORA. Were you not asked to produce here the files of your bank with regard to the making of these loans, and the operations during the pendency of these loans?

Mr. TIMMERMAN. Yes; and I have substantially done that. That is purely a routine matter.

Mr. PECORA. Can you give me the dates when, in response to the calls of the bank, additional collateral was pledged?

Mr. TIMMERMAN. Here are some dates which, to the best of my knowledge, indicate——

Mr. PECORA. Will you give us those dates?

Mr. TIMMERMAN. On Insull Utility Investments the dates are September 8, 1931, and September 10, 1931; and another date, September 17, 1931, and October 7 of 1931; and then a date that may or may not be the date of collateral, December 4, 1931.

Mr. PECORA. With the exception of the date you last mentioned, December 4, 1931, did the other dates indicate times when the bank received additional collateral from the borrowers on these loans?

Mr. TIMMERMAN. I think so.

Mr. PECORA. By the way, Mr. Timmerman, when did you learn of these debenture bonds that I alluded to a few moments ago?

Mr. TIMMERMAN. I first heard about them the latter part of June, 1931—June 29, to be exact. I heard them referred to as the debt of the two companies.

Mr. PECORA. From whom did you hear that then?

Mr. TIMMERMAN. I heard that from a Chicago bank, the Northern Trust Co.

Mr. PECORA. What did you hear about it at that time?

Mr. TIMMERMAN. Simply that there were debentures outstanding.
Mr. PECORA. Did you make any written memorandum of that information?

Mr. TIMMERMAN. I did.

Mr. PECORA. Have you that with you?

Mr. TIMMERMAN. I have.

Mr. PECORA. Will you produce it, please? While the witness is searching for it, may I ask that the so-called standstill agreement, in its general form, as produced by the witness, and the letter accompanying the same, addressed to Central Hanover Bank & Trust Co., and signed by Samuel Insull, jr., as president of Insull Utility Investments (Inc.), be spread upon the record?

Senator FLETCHER. The witness's name seems to have been stricken out.

Mr. MUHLEMAN. He can explain all that, Senator.

Senator FLETCHER. I do not know whether this is a valid document or not, or whether it was destroyed and replaced.

Mr. MUHLEMAN. This is merely a copy. The original was returned to the Insull group. They have the original, or ought to have it.

Mr. PECORA. The witness produces a memorandum which I will read into the record, Mr. Chairman, with your permission [reading]:

INSULL UTILITY INVESTMENTS (INC.),
Chicago, Ill., June 29, 1931.

Mr. D. B. McDougal, Vice President of the Northern Trust Co., Chicago, called up to-day. He said that Mr. Smith, their president, is on the board of some of the Insull operating companies, mentioning the Commonwealth Edison and the Public Service Co. of Northern Illinois. For that reason they used the greatest discretion in giving out information on the company, and this information should be so treated. They are loaning the Commonwealth Edison up to their legal limit of \$900,000 on an unsecured basis. They have in the past loaned to the Public Service Co. of Northern Illinois similarly up to the same amount. The former is on their books for the full amount at the present time, and the latter is not borrowing. They thought very well of both of these companies.

From a statistical point of view, Mr. McDougal said, very confidentially, that the investment companies of Mr. Insull, to wit, Insull Utility Investments (Inc.), and Corporation Securities Co. of Chicago, are borrowing heavily. They made up a consolidated statement as of the two companies, for their own information, as of December 31, 1930. This showed the following liabilities: Due banks, \$74,000,000; debentures, \$86,000,000; contracts, \$10,000,000.

The Insull Utility Investments (Inc.) alone showed the following liabilities: Due banks, \$58,000,000; debentures, \$57,000,000; contracts, \$4,000,000.

He said that as far as the capital stock of these companies is concerned, that these are both listed on the Chicago Stock Exchange, and that exchange has shown some inability to absorb very large blocks of their offerings. However, as far as the stocks behind our loans to these two companies are concerned, they have a good market and the companies themselves, particularly the Commonwealth Edison and the Middle West Utilities, are very well regarded. He suggested the Continental Illinois as the source of information on the Insull interests, as far as their banking relationships go.

Did you make any inquiries, Mr. Timmerman, upon receipt of this information embodied in this memorandum of June 29, 1931, or subsequently, concerning the nature of the \$86,000,000 of debenture obligations outstanding on the part of the Insull Utility Investments, and the Corporation Securities Co.?

Mr. TIMMERMAN. No; I did not. I knew that they were liabilities that were not due for a considerable period.

Mr. PECORA. How did you know that? It does not appear from this memorandum that you knew it, does it?

Mr. TIMMERMAN. No; but we had statements taken off subsequent to that time, giving the date of maturity. You asked me the first time I had heard of those debentures. That was the first occasion.

Mr. PECORA. Yes.

Mr. TIMMERMAN. Subsequent to that, we had statements of these companies.

Mr. PECORA. When did you get those statements concerning these debentures, subsequent to June 29?

Mr. TIMMERMAN. This statement here of December 31, 1930—that one and prior ones were the ones available at that time, December 31, 1930.

Mr. PECORA. Then there was something in the record of your bank concerning the fact that these debentures had been issued and were outstanding obligations of the companies, in December, 1930?

Mr. TIMMERMAN. No. From this statement, the nearest date I can reconcile that we secured it was July 7, 1931. We have the date on here when this statement was taken off. At that time, that shows that these debentures—there were two series of them. The nearest maturity was 1940. The next maturity was 1949.

Mr. PECORA. Did you inquire into the rights of the debenture holders under their debentures, or under any indenture agreement involving the issuance of the debentures?

Mr. TIMMERMAN. We did not.

Mr. PECORA. Have you told the committee the full extent of the information which you then sought and subsequently obtained with regard to these debentures?

Mr. TIMMERMAN. I have. I do not recall anything else about them, until the discussion that came up subsequent to the bankruptcy.

Mr. PECORA. When did your bank actually sign and become a party to the standstill agreement that has been referred to here?

Mr. TIMMERMAN. We signed the standstill agreement on the date of the memorandum that I gave you, of the excerpt, January 7 of 1931.

Mr. PECORA. 1932, you mean?

Mr. TIMMERMAN. 1932. Excuse me. That agreement, however, did not become operative until signed by all the banks.

Mr. PECORA. When did it become so operative?

Mr. TIMMERMAN. It never did.

Mr. PECORA. That provision was in the agreement itself, was it not, that it should not become operative until signed by all the creditor banks?

Mr. TIMMERMAN. Exactly.

Senator FLETCHER. What banks refused?

Mr. PECORA. What banks refused, the Senator has asked?

Mr. TIMMERMAN. There were two banks in New York, the Irving Trust Co. and the Commerical National Bank, that, as far as I know, never signed the agreement, although they never definitely refused to sign it.

Mr. PECORA. That is all I want to ask this witness, but Mr. Gray will have to appear and give testimony which this witness seems unable to furnish, because he had no personal connection with the transactions regarding which I want to question him.

I may say, Mr. Chairman, that the attorney representing the bank is in the room here, and has made an informal request of me, that on account of the fact that his presence is required in the office of the bank in New York to-morrow, that Mr. Gray be excused from attending to-morrow. I was in hopes that the information we want to elicit might be obtained from this witness, but unfortunately, on account of his not having had anything to do, substantially, with the actual negotiations in these transactions, I do not see how we can excuse Mr. Gray.

Mr. MUHLEMAN. May I make a suggestion, Senator? Mr. Gray, as far as I understand the transaction in connection with all three loans—and I have gone into them very thoroughly—did not have a direct connection with the Insull matter. Mr. Davison is the one who arranged the loan. All of that has been brought out in the testimony of Mr. Davison and Mr. Gray—

Mr. PECORA. Not in this hearing.

Mr. MUHLEMAN. At the hearing held before the referee in bankruptcy; and I think that will show how the transactions concerning these three loans were made.

As to the National Public Service loan that Mr. Timmerman has spoken of, I think that Mr. Davison is the only one who talked with Martin Insull about it, and I was personally present when the loan was made, and I did not see any officer of the bank in there.

Mr. PECORA. But, according to the facts presented here this morning by Senator Couzens, Mr. Davison has had to be excused from attendance before this committee.

Mr. MUHLEMAN. He did not create that position. He wanted to be here to-day, as I arranged with you.

Mr. PECORA. I know it is not his fault.

Mr. MUHLEMAN. Mr. Gray is the president of the bank, and the chief executive officer of the bank. Mr. Davison, with Mr. Turnbull, executive vice president of the bank, happen to be in Detroit, not because they wanted to be there, but because they were called there. If you bring Mr. Gray down here to-morrow, you will not have a head of the bank in the place, and they never leave the Central Hanover in that condition. It never has been left in that condition as far as I know. I would suggest that possibly it might be postponed until Saturday morning. I might say that Mr. Davison will be here with the Federal reserve on Sunday, Monday, and Tuesday. Monday or Tuesday will suit him quite all right, and he will be glad to come.

Mr. PECORA. I would suggest, Mr. Chairman, that under the circumstances Mr. Davison be asked to attend before this committee as a witness on next Tuesday, and that Mr. Gray then be excused from attendance to-morrow.

Mr. MUHLEMAN. I thank you, Mr. Pecora.

Mr. PECORA. Will you be good enough to have Mr. Timmerman leave with us, in our custody, such of the record as he has produced here?

Mr. MUHLEMAN. Do you mean the material that you have brought out here?

Mr. PECORA. Yes.

Mr. MUHLEMAN. I do not know. He has got the records of the bank. We have no photostatic copies. If you want us to give you

a photostatic copy of everything we have there, we will gladly send them to you.

Mr. PECORA. There are really only one or two original documents among them.

Mr. MUHLEMAN. Copies are all we have.

Mr. PECORA. Mr. Davison will get those when he comes here next Tuesday.

Mr. MUHLEMAN. I expect to be here with Mr. Davison on Tuesday, but if you will let me take them back, I can bring them down on Tuesday.

Mr. PECORA. The reporter will not be able to spread them on the record if you take them away now.

Mr. MUHLEMAN. I am giving you photostatic copies.

Mr. PECORA. Have you the copies here?

Mr. MUHLEMAN. I assume you simply want these as exhibits. All that is not to be put in the record? They are to be received as exhibits, are they not?

Mr. PECORA. They are spread in full on the record.

Mr. MUHLEMAN. If you will let us go now, we will go back to New York now, and I will have these things copied in the bank, photostated in the bank, and will forward them to you here sometime to-morrow, so that you will have the record complete. I want to do everything I can to help in it.

Senator FLETCHER. Do I understand you are not going to ask Mr. Gray to come Saturday, or any time?

Mr. PECORA. Mr. Davison is in Detroit. I think we can wait until next Tuesday, and then have Mr. Davison.

Mr. MUHLEMAN. I do not think you need Mr. Gray, as you have read the evidence, I assume.

Mr. PECORA. It would seem now, from the testimony of Mr. Timmerman, that Mr. Davison is the officer of the bank who can give the most testimony from personal knowledge of these transactions.

Mr. MUHLEMAN. I think you will find that to be true, Mr. Pecora.

Mr. TIMMERMAN. Is that all you want with me?

Mr. PECORA. Yes.

The CHAIRMAN. Let the record show that Mr. Davison will be here Tuesday morning at 10 o'clock, and will be the first witness, and that his attorney, Mr. Muhleman, has assured us that he will be here.

(The documents submitted by Mr. Timmerman are as follows:)

INSULL UTILITY INVESTMENTS (INC.),

Chicago, Ill., January 7, 1932.

CENTRAL HANOVER BANK & TRUST CO.,
New York, N. Y.

GENTLEMEN: Insull Utility Investments (Inc.), is indebted to the following banks on short-term collateral notes having various maturities for the principal amounts set opposite their respective names:

Continental Illinois Bank & Trust Co.....	\$18, 987, 500
First National Bank of Chicago.....	5, 000, 000
Guaranty Trust Co.....	5, 000, 000
Irving Trust Co.....	5, 000, 000
Central Hanover Bank & Trust Co.....	3, 500, 000
Central Republic Bank & Trust Co.....	3, 000, 000
Commercial National Bank & Trust Co.....	1, 500, 000
The Northern Trust Co.....	900, 000
Harris Trust & Savings Bank.....	500, 000
Bankers Trust Co.....	500, 000

Each bank has pledged to it, collateral consisting of shares of stocks of different corporations in varying amounts.

Insull, Son & Co. (Inc.), all the stock of which, except directors' qualifying shares, is owned by Insull Utility Investments, (Inc.), in addition owes to the Continental Illinois Bank & Trust Co. \$7,360,000 principal amount, collaterally secured by shares of stock of various corporations.

It has been suggested to the undersigned by certain of the foregoing banks that it is to the best interests of the undersigned and of the foregoing banks that the undersigned, in place of the notes now held by such banks, give them notes having a common maturity, and that Insull, Son & Co. (Inc.), give the Continental Illinois Bank & Trust Co. a note having a like maturity, and that certain agreements be entered into between the banks listed above and the undersigned.

The undersigned, therefore, subject to your approval and the approval of all the other banks listed above proposes:

1. To give to each bank the undersigned's collateral note, bearing 5 per cent interest payable on the 1st day of each month, for the principal amount owing to it, such note to be due on June 15, 1932, or on demand prior thereto, and to be in the form attached hereto as Exhibit A, and each such note to be secured by the respective collateral now pledged to such bank.

You will observe that the form of note does not give any right to demand additional collateral in the event of a decline in market value of the collateral held or to sell collateral in the event of such a decline.

2. To cause Insull, Son & Co. (Inc.) to give its note of similar form and maturity to the Continental Illinois Bank & Trust Co., to be secured by the same collateral now pledged by Insull, Son & Co. (Inc.) to said bank.

3. To give its limited guaranty in the form attached hereto as Exhibit B to the Continental Illinois Bank & Trust Co. covering the indebtedness of Insull, Son & Co. (Inc.) to that bank.

Such notes are to be given by the undersigned and by Insull, Son & Co. (Inc.), and accepted by the respective banks, on the understanding that prior to June 15, 1932, which is the absolute maturity of the proposed notes, payment thereof shall not be demanded by any bank without the consent of banks holding a majority in number and amount of such notes, provided that if consent is so given to any one or more banks to demand payment of its note, or their notes, any bank holding a note of the undersigned or Insull, Son & Co. (Inc.) issued pursuant to the terms of this letter may demand payment on such note thereafter without any further consent being required.

If the proposed notes are issued and accepted in lieu of the notes now held by the respective banks listed above, the undersigned agrees that it will, as far as reasonably practicable, prorate and maintain its balances among the banks holding such notes in proportion to the respective amounts of such notes, and further agrees that it will not, prior to June 30, 1932, without the consent of all the banks listed above, pledge or assign any interest in any of the free securities now held by it (a list of which is hereto attached as Exhibit C), as security for any existing indebtedness or for any new indebtedness, direct or contingent, and further agrees that it will deposit the said securities with the Northern Trust Co., of Chicago, for safe-keeping until June 30, 1932. The undersigned shall have the right to sell or exchange any of said securities while in safe-keeping, but only on terms approved by, and with the written consent of, Herman Waldeck, or some other vice president of the Continental Illinois Bank & Trust Co., and of Edward E. Brown or some other vice president of the First National Bank of Chicago; and if such sale is in whole or in part for cash, the undersigned shall have the right to receive such cash.

If the proposals and arrangements set out in this letter are satisfactory to you, kindly indicate your approval on the carbon inclosed herewith and return it to the undersigned.

As soon as the approval of all the banks listed above is obtained, the undersigned will issue and cause to be issued the new notes, adjusting interest to the date of exchange, and carry out the other undertakings given by it herein.

INSULL UTILITY INVESTMENTS (INC.),
By SAMUEL INSULL, Jr., President.

EXHIBIT A

CHICAGO, ILL., January —, 1932.

On June 15, 1932, or on demand prior thereto, we promise to pay to the order of _____ dollars, at _____ for value received, with interest at the rate of 5 per cent per annum, after date, payable monthly on the 1st day of each

month, having deposited herewith as collateral security for payment of this or any other liability or liabilities (except liabilities evidenced by securities publicly marketed), direct or contingent, of the undersigned to the legal holder hereof at any time, whether due or to become due, or that may be hereafter contracted or existing, howsoever acquired by said legal holder, the following property, viz, _____ with full power and authority in the holder to sell and assign and deliver the whole of said property, or any part thereof, or any substitute therefor, or any additions thereto, at any brokers' board, or at public or private sale, at the option of such legal holder and with the right in such holder to be purchaser itself at such brokers' board or public sale, at any time, on the nonperformance of this promise, or the nonpayment of any of the liabilities above mentioned, or at any time or times thereafter, without advertisement or notice. And after deducting all legal or other costs and expenses for collection, sale, and delivery, to apply the residue of the proceeds of such sale or sales to pay any, either or all of said liabilities, as such legal holder shall deem proper, returning the overplus to the undersigned. In case of the insolvency of the undersigned, any indebtedness due from the legal holder hereof to the undersigned may be appropriated hereon at any time, as well before as after the maturity hereof.

INSULL UTILITY INVESTMENTS (INC.),
 _____, *President*.
 _____, *Treasurer*.

EXHIBIT B

Know all men by these presents, that whereas, Continental Illinois Bank & Trust Co., Chicago, Ill. (hereinafter referred to as the "Bank"), is the holder of a promissory note of Insull, Son & Co. (Inc.) (hereinafter referred to as the "company"), for the principal sum of \$_____, dated _____, and maturing _____, which said note is collaterally secured by securities deposited by the company.

Now, therefore, in consideration of \$1 in hand paid to the undersigned by said bank, and for other good and valuable considerations received from said bank, the undersigned hereby unconditionally guarantees to pay at the maturity of said note (regardless of whether such maturity shall be the date specified in said note or any earlier maturity pursuant to the terms thereof) to the holder of said note the amount of any loss which such holder may incur in connection with said note. For all purposes of this guaranty, the term "loss" shall be deemed to be the amount due on such note at such maturity less (a) any amount paid to said holder by the company on account of such note at such maturity, and (b) the value at such maturity of such collateral security deposited by the company and then held by said holder, and any such loss shall be deemed to be incurred at such maturity, regardless of whether or not said holder shall pursue any of its remedies against the company or said collateral security. The term "value at such maturity of such collateral security" shall for all purposes of this guaranty be deemed to be, at the option of said holder, either (a) any value thereof as of said maturity agreed upon between said holder and said company, or (b) the value thereof as of said maturity as determined by the then president of the Chicago Stock Exchange, or (c) the amount actually received, at any time or from time to time after such maturity, by said holder as the net proceeds of said collateral security upon any sale or other disposition thereof in accordance with the terms of said note. Until payment in full to said holder of all amounts due on said note at said maturity the undersigned shall not be subrogated to any rights of said holder against the company on account of said note, or against said collateral security.

The undersigned hereby waives any acceptance of this guaranty, and notice of such acceptance or of default in the payment of said note or any installment of interest thereon, presentment of said note, protest and the necessity for any sale of said collateral security and notice of any such sale.

Said holder is hereby given the right to extend or renew said note, or any renewals or extensions thereof, without in any manner affecting the obligations of the undersigned hereunder and wherever said note is herein referred to such reference shall be deemed to include any such renewals or extensions.

This guaranty shall be binding upon the successors and assigns of the undersigned, and shall inure to the benefit of the successors and assigns of said holder.

In witness whereof, the undersigned has caused this guaranty to be duly executed in its name and under its corporate seal by its proper corporate officers, all duly authorized in the premises by resolution of its executive committee, this _____ day of _____, 1932.

INSULL UTILITY INVESTMENTS (INC.),
By _____, *President*.

Attest:

_____, *Secretary*.

EXHIBIT C

STOCKS

	Shares
British Power & Light Corporation (1929) (Ltd.) shares of £1 each	1 276, 000
Central & South West Utilities Co.:	
Preferred stock \$7 dividend series	77
Common	82, 722
Chicago, Aurora & Elgin R. R. Co., 7 per cent prior lien	499
Chicago City & Connecting Rys. Co., certificates of deposit for collateral trust preferred participation certificates	900
Chicago, North Shore & Milwaukee R. R. Co.:	
7 per cent prior lien	10
6 per cent noncumulative preferred	4, 866
Voting trust certificates for 6 per cent noncumulative preferred	1, 106
Common	2, 460
Voting trust certificates for common	1, 106
Chicago Rapid Transit Co., certificates of deposit for 7.8 per cent prior preferred	125
Consumers Co., common stock \$5 par value	2, 750
Continental Chicago Corporation:	
Common	23, 135
\$3 convertible preferred	5, 000
Corporation Securities Co. of Chicago:	
\$3 optional preference, 1929 series	40, 297
Common	151, 398
Voting trust certificates for common	9, 839
Electric Shareholdings Corporation, common	11, 208
General Realty & Utilities Corporation, common	38, 821
General Theaters Equipment (Inc.):	
Voting trust certificates for \$3 convertible preferred	2, 988 $\frac{1}{2}$
Voting trust certificates for common	5, 976 $\frac{3}{4}$
Insull, Son & Co. (Inc.), capital stock	20, 000
International Utilities Corporation:	
\$3.50 prior preferred, series 1931	1, 400
\$1.75 preferred stock, series 1931	800
Class B stock	10, 000
Lake Superior District Power Co., 7 per cent preferred	60
A. B. Leach & Co., capital stock \$100 par	750
Leach Corporation, 6 per cent cumulative preferred	2, 500
Metropolitan Gas & Electric Co., common \$10, par value	500
Middle West Utilities Co.:	
\$6 convertible preferred	543
Common	404, 984
Midland United Co., common	10, 814
Midland Utilities Co.:	
7 per cent prior lien	1, 000
6 per cent prior lien	2, 728
National Securities Investment Co.:	
6 per cent preferred	1, 000
Common	500
New England Public Service Co.:	
Common, no par	874
\$7 preferred dividend series	240
North American Light & Power Co.:	
Common stock	306
Voting trust certificates for common	18, 898

¹ Held by Insull, Son & Co. (Ltd.) of London, England, for account of Insull Utility Investments (Inc.).

Peabody Coal Co.:	Shares
Class A common, \$25 par	218
Class B common, no par	75, 861
Public Service Co. of Indiana:	
\$7 cumulative prior preferred	1
\$6 cumulative preferred	11
Public Service Trust, \$50 par value participation certificates	15, 000
Second Utilities Syndicate (Inc.), capital stock	7, 500
Shenandoah Corporation:	
Optional 6 per cent convertible preferred stock	857
Common	897
Stone & Webster (Inc.), capital stock	250
Union Gas & Electric Co., common, \$10 par value	1, 834
Utility Securities Co., capital stock	7, 408
Utilities Stock Transfer Co., capital stock	38
The West Penn Electric Co., 7 per cent preferred	20
Wilkinson Process Rubber Sales Corporation:	
Preferred	450
Common	450
* Insull Utility Investments (Inc.):	
Common	5, 165
\$5.50 prior preferred	100
Second series preferred	900

BONDS

Chicago North Shore & Milwaukee R. R. Co., income debentures series A, 6 per cent, 1955	Par amount \$125, 000
Chicago Rys. Co., first mortgage, 5 per cent gold bonds due Feb. 1, 1927	12, 750. 00
Chicago Rapid Transit Co. temporary certificates of deposit for adjustment debentures, July 1, 1963	243, 500. 00
Chicago City Ry. Co. certificates of deposit for first mortgage 5 per cent gold bonds, due Feb. 1, 1927	4, 500. 00
Saline County Coal Corporation, first mortgage, 6½ per cent bonds	175, 000. 00
Insull Utility Investments (Inc.), 5 per cent series A gold debentures	7, 000. 00

SYNDICATE PARTICIPATIONS

35 per cent payment of subscription of \$1,713,750 in Consumers Co. Syndicate	599, 812. 50
5 per cent payment of subscription of \$250,000 in Insull Utility Investments Syndicate	12, 500. 00
84 per cent payment of subscription of \$12,500 in Chicago, North Shore & Milwaukee R. R. Co. Syndicate	10, 500. 00
Participation in Utility Securities Syndicate	86, 098. 72

MISCELLANEOUS

Subscription warrants to purchase International Utilities Corporation class B stock	4, 000
Middle West Utilities Co., stock purchase warrant, series A, 1932	43, 216
Middle West Utilities Co., stock purchase warrant, series B, 1933	43, 216
National Securities Investment Co., common stock purchase warrants, Jan. 1, 1934	500
Note receivable from Corporation Securities Co. of Chicago in the amount of	4, 769, 851. 25
Collaterally secured by the following:	
300,000 shares Insull Utility Investments (Inc.), common.	
255,000 shares Middle West Utilities Co. common stock.	

Mr. D. B. McDougal, vice president of the Northern Trust Co., Chicago, called up to-day. He said that Mr. Smith, their president, is on the board of some of the Insull Operating companies, mentioning the Commonwealth Edison and the Public Service Co. of Northern Illinois. For that reason they use the greatest discretion in giving out information on the company, and this information should be so treated:

They are loaning the Commonwealth Edison up to their legal limit of \$900,000 on an unsecured basis. They have in the past loaned the Public Service Co. of Northern Illinois similarly up to the same amount. The former is on their books for the full amount at the present time and the latter is not borrowing. They think very well of both of these companies.

From a statistical point of view Mr. McDougal said, very confidentially, that the investment companies of Mr. Insull, to wit, Insull Utility Investments (Inc.) and Corporation Securities Co. of Chicago, are borrowing heavily. They made up consolidated statement as of the two companies for their own information as of December 31, 1930. This showed the following liabilities:

Due banks.....	\$74, 000, 000
Debentures.....	86, 000, 000
Contracts.....	10, 000, 000

The Insull Utility Investments (Inc.) alone showed the following liabilities:

Due banks.....	\$58, 000, 000
Debentures.....	57, 000, 000
Contracts.....	4, 000, 000

He said that as far as the capital stock of these companies is concerned that these are both listed on the Chicago Stock Exchange, and that exchange has shown some inability to absorb very large blocks of their offerings. However, as far as the stocks behind our loans to these two companies are concerned they have a good market and the companies themselves, particularly the Commonwealth Edison and the Middle West Utilities, are very well regarded. He suggested the Continental Illinois as a source of information on the Insull interests as far as their banking relationships go.

CONFIDENTIAL

We today signed two agreements—one for the Insull Utility Investments (Inc.), and one for the Corporation Securities Co.—through which, subject to all the other interested banks doing likewise, we have agreed to renew our notes until June 15, 1932. Insull Utility Investments (Inc.) are owing us \$3,500,000 secured, and Corporation Securities Co., \$4,000,000 secured.

These agreements provide that the banks will not call for additional margin on their loans, nor will they sell any underlying collateral during the period of the agreement, unless a majority of the banks consent.

The rate is to be 5 percent, and interest is to be collected monthly. Balances of both companies will be prorated among their banks. Copy of the agreements signed are lodged with the loan department.

CHICAGO, ILL., August 14, 1931.

MESSRS. HALSEY, STUART & Co.,
Chicago, Ill.

DEAR SIR: Referring to Mr. Charles B. Stuart's letter to Mr. F. K. Shrader, of August 4, asking for information as to the approximate distribution of Insull Utility Investments (Inc.), common stock and the extent of ownership of the Insull family and yourselves, I thought it better to give you a statement not only of Insull Utility Investments (Inc.), ownership of both preferred and common stocks, but also a similar statement with relation to Corporation Securities Co. of Chicago. You may remember that Corporation Securities Co. of Chicago was originally formed so as to establish a voting control of Insull Utility Investments (Inc.).

You are quite welcome to hand these two statements inclosed to Mr. Davison of the Central Hanover Bank & Trust Co., for whom Mr. Charles B. Stuart made the inquiry.

Yours truly,

SAMUEL INSULL.

HALSEY, STUART & Co.,
New York, N. Y., August 17, 1931.

Mr. L. F. TIMMERMAN,
Assistant Vice President, Central Hanover Bank & Trust Co.,
New York City.

DEAR MR. TIMMERMAN: Inclosed you will find copy of a letter from Mr. Insull, together with two memorandums, setting forth the ownership of various stocks of Insull Utility Investments (Inc.) and Corporation Securities Co. of Chicago.

I sincerely hope that this is what you want, but if not, please let me know.

I am sorry that I could not get this information to you sooner, but it just wasn't possible.

Will you be sure and see that this matter is brought to the attention of Mr. Davison? Please keep this information in confidence.

Very sincerely,

C. B. STUART.

Corporation Securities Co. of Chicago, ownership of capital stock, preferred and common, by companies managed by Samuel Insull

	\$3 preferred	Voting trust representing common	Common	Total common and voting trust for common	Total	Percentage
	<i>Shares</i>		<i>Shares</i>	<i>Shares</i>	<i>Shares</i>	
Insull Utility Investments (Inc.)-----	357,305	8,467	559,219	567,686	924,991	17.93
Insull family-----	62,579	1,069,200	106,790	1,175,990	1,238,569	24.01
Halsey, Stuart & Co.-----	27,618	1,068,815	28,949	1,097,764	1,125,382	21.81
Stock owned directly or indirectly by Corporation Securities Co. of Chicago.	14,200	-----	288,728	288,728	302,928	5.87
Various employees' savings funds and investment corporations, owned by various companies under Insull management-----	55,245	8,085	178,831	186,916	242,161	4.69
Total-----	516,947	2,154,567	1,162,517	3,317,084	3,834,031	74.31
Percentage-----	69.07	-----	-----	75.2	74.31	-----
Stock owned by the public-----	231,534	-----	1,094,027	1,094,027	1,325,561	25.69
Shares outstanding-----	748,481	2,154,567	2,256,544	4,411,111	5,159,592	100.00

Insull Utility Investments (Inc.), ownership of capital stock, preferred and common, by companies managed by Samuel Insull, August 11, 1931

	\$5.50 prior preferred	First series preferred	Second series preferred	Common	Total	Percentage
Insull family-----		40,000	534	<i>Shares</i> 722,313	762,847	18.79
Corporation Securities Co. of Chicago-----	29,899		95,626	935,432	1,060,957	26.14
Stock owned directly or indirectly by Insull Utility Investments (Inc.)-----				96,063	96,063	2.37
Various employees' savings funds and investment corporations owned by various companies under Insull management-----	1,724	-----	41,109	337,307	380,140	9.37
Total-----	31,623	40,000	137,269	2,091,115	2,300,007	56.67
Percentage-----	52.71	100	30.5	59.6	56.67	-----
Stock owned by the public-----	28,377	-----	312,731	1,417,705	1,758,813	43.33
Shares outstanding-----	60,000	40,000	450,000	3,508,820	4,058,820	100.00

Mr. PECORA. Mr. Davis, will you come forward, please?

The CHAIRMAN. Mr. Davis, do you solemnly swear that you will tell the truth, the whole truth, and nothing but the truth, regarding the matter now under investigation by the committee, so help you God?

Mr. DAVIS. I do.

TESTIMONY OF PAUL H. DAVIS, KENILWORTH, ILL.

Mr. PECORA. Mr. Davis, will you give your full name, business, and home address, and occupation?

Mr. DAVIS. Paul H. Davis. My residence is 256 Woodstock Avenue, Kenilworth, Ill.; my business, that of stockbroker.

Mr. PECORA. Are you a member of any exchange, Mr. Davis?

Mr. DAVIS. Yes, sir. I am a member of the Chicago Stock Exchange.

Mr. PECORA. How long have you been a member of it?

Mr. DAVIS. If I remember correctly, since 1919.

Mr. PECORA. Are you an officer of that institution at the present time?

Mr. DAVIS. Yes, sir. I am president of the Chicago Stock Exchange at the present time.

Mr. PECORA. How long have you been president of it?

Mr. DAVIS. Since June, 1931.

Mr. PECORA. Did you hold any subordinate office in that institution prior to your becoming president?

Mr. DAVIS. Yes, sir. Prior to that time, I was vice president of the Chicago Stock Exchange.

Mr. PECORA. For what period of time?

Mr. DAVIS. For two or three years before that time.

Mr. PECORA. Have you produced here, in response to a subpoena served upon you, issued by this committee, the records of the Chicago Stock Exchange with respect to the listing of the stock of a corporation called the Insull Utility Investments Co.?

Mr. DAVIS. Yes, sir.

Mr. PECORA. Will you produce those records now?

Mr. DAVIS. First of all, I have here the formal application of Insull Utility Investments (Inc.), which is dated and sworn to before a notary on the 11th day of January, 1929.

Mr. PECORA. By whom is it signed and sworn to?

Mr. DAVIS. This is signed by Samuel Insull, president, and P. J. McEnroe, as secretary, and is attested before a notary.

Mr. PECORA. May I have it?

Mr. DAVIS. Yes [handing paper to Mr. Pecora].

Mr. PECORA. What are the rules, or what were the rules and requirements of the Chicago Stock Exchange in December, 1928, with respect to applications for the listing of securities for trading purposes on its board?

Mr. DAVIS. I have a pamphlet which I would like to introduce, which I think will give you that information. [Producing pamphlet.]

Mr. PECORA. Very well.

Senator FLETCHER. What was the purpose of this application? Is it in the nature of an application to have stock listed?

Mr. DAVIS. Yes. It is the formal application.

Senator FLETCHER. Your rules require that?

Mr. DAVIS. Our rules require a formal application, which must be supported by a number of exhibits, and I have the complete file.

Senator FLETCHER. Did you have any hearing on that at all, or just accept the application?

Mr. DAVIS. We had a hearing on that application; yes, sir.

Mr. PECORA. The application produced by the witness I ask to have spread upon the record.

Mr. DAVIS. May we substitute photostatic copies, which we have?

Mr. PECORA. Yes, sir.

(The application referred to is as follows:)

(NOTE.—One copy of the application is attached to the original of the transcript for printing purposes.)

THE CHICAGO STOCK EXCHANGE

APPLICATION TO LIST STOCKS

1. Name of company: Insull Utility Investments (Inc.).
2. Date of incorporation: December 27, 1928.
3. Under what laws incorporated: State of Illinois.
4. Nature of business: To acquire, dispose of, underwrite and deal in securities and to do a general investment business.
5. Duration of charter, franchises, etc.: Perpetual.
6. Capital stock:

	Class I	Class II	Class III
(a) Brief designation of each issue.	Prior preferred.....	Preferred.....	Common.
(b) Number of shares authorized.	250,000.....	250,000.....	3,000,000.
(c) Number of shares issued....	(1)	(1)	(1)
(d) Number of shares to be listed under this application.	60,000 shares \$5.50 prior preferred.	None.....	1,614,200.
(e) Par value of shares.....	Without par value....	Without par value....	Without par value.
(f) Amount paid in on each share:			
I. In cash.....	(1)	None.....	(1)
II. In property.....	None.....	(1)	(1)
III. In services or otherwise.	do.....	None.....	None.
(g) Whether fully or partially paid.	(1)	(1)	(1)
(h) Whether stock is assessable.	Nonassessable.....	Nonassessable.....	Nonassessable.
(i) Whether personal liability attaches to ownership.	No liability attaches..	No liability attaches..	No liability attaches.
(j) Voting power.....	1 vote for each share.	1 vote for each share..	1 vote for each share.
(k) Rate of dividend and months payable.	\$5.50 quarterly, Jan. 1, Apr. 1, July 1, Oct. 1.	(2)	Not fixed.
(l) Preference as to dividends..	Preferred over preferred and common.	Preferred over common.	None.
(m) Whether cumulative or noncumulative.	Cumulative.....	Cumulative.....	
(n) Preference or other rights upon distribution of assets.	Preferred over preferred and common.	Preferred over common.	
(o) Number of shares unissued, for what purpose reserved, and options or contracts on shares (convertibility).	190,000 to be disposed of as determined by directors.	210,000 to be disposed of as determined by directors.	300,000 reserved to comply with warrants attached to prior preferred stocks; 300,000 reserved to comply with warrants attached to debentures; 1,385,800 shares to be disposed of as determined by directors.

¹ Sixty thousand shares of \$5.50 prior preferred stock will be issued at once and will be fully paid in cash at the rate of \$100 per share and accrued dividends. Forty thousand shares of preferred stock first series and 764,000 shares of common stock will be issued at once and will be fully paid by the transfer to the company of certain securities of the character stated in item 16 of this application, said securities having a value, as of Dec. 7, 1928, of \$9,765,908. (Dec. 7, 1928, was the date upon which agreements for the acquisition of said securities were consummated. The present value of said securities is substantially greater than said amount of \$9,765,908.) Two hundred and fifty thousand shares of common stock have been subscribed for at the rate of \$12 per share in cash and upon the payment of such sum said shares will be fully paid. A portion of said shares, however, will be paid for in quarterly installments over a period of 1 year. Two hundred shares of common stock have been issued to the original subscribers and have been fully paid in cash at the rate of \$5 per share.

² 1929, \$2; 1930, \$3; 1931, \$4; 1932, \$5; thereafter, \$6. Quarterly, Mar. 1, June 1, Sept. 1, and Dec. 1.

7. Funded indebtedness:

	Class I	Class II	Class III
(a) Brief designation of each issue.....	5 per cent gold debentures, series A.	-----	-----
(b) Date of issue.....	Jan. 1, 1929.....	-----	-----
(c) Interest rate.....	5 per cent.....	-----	-----
(d) Amount authorized.....	\$6,000,000.....	-----	-----
(e) Amount issued.....	\$6,000,000.....	-----	-----
(f) Date of maturity and where payable.....	Jan. 1, 1949, Chicago and New York.	-----	-----
(g) Convertibility.....	Not convertible.....	-----	-----

8. Indebtedness or liabilities not reflected in balance sheet, such as leases, guarantees, contingent liabilities, etc.: None.

9. Fiscal year: End of December annually.

10. Place and date of annual meeting: 72 West Adams Street, Chicago; third Monday in February.

11. Location of (a) principal office: 72 West Adams Street, Chicago, Ill.;

(b) executive offices: 72 West Adams Street, Chicago, Ill.

12. Names and residences of officers:

Name	Address	City
President: Samuel Insull.....	72 West Adams Street.....	Chicago, Ill.
Vice president: Martin J. Insull.....	do.....	Do.
Vice president: Samuel Insull, jr.....	122 South Michigan Avenue.....	Do.
Secretary: P. J. McEnroe.....	72 West Adams Street.....	Do.
Treasurer: P. J. McEnroe.....	do.....	Do.

Other officers: None.

13. Names, residences, and terms of directors:

Name	Residence	Term expires
Samuel Insull.....	72 West Adams Street, Chicago, Ill.....	Until annual stockholders' meeting, February, 1930.
Martin J. Insull.....	do.....	Do.
Samuel Insull, jr.....	122 South Michigan Avenue, Chicago, Ill.....	Do.
P. J. McEnroe.....	72 West Adams Street, Chicago, Ill.....	Do.
John F. Gilchrist.....	do.....	Do.
Louis A. Ferguson.....	do.....	Do.
Edward J. Doyle.....	do.....	Do.
John H. Gulick.....	do.....	Do.
Walter S. Brewster.....	112 West Adams Street, Chicago, Ill.....	Do.
Britton I. Budd.....	72 West Adams Street, Chicago, Ill.....	Do.
George F. Mitchell.....	122 South Michigan Avenue, Chicago, Ill.....	Do.
Marshall E. Sampson.....	72 West Adams Street, Chicago, Ill.....	Do.
Stuyvesant Peabody.....	332 South Michigan Avenue, Chicago, Ill.....	Do.
H. L. Stuart.....	201 South LaSalle Street, Chicago, Ill.....	Do.
Waldo F. Tobey.....	72 West Adams Street, Chicago, Ill.....	Do.

14. Name and address of transfer agents: Illinois Merchants Trust Co., 231 South LaSalle Street, Chicago, Ill.

15. Name and address of registrars: Central Trust Co. of Illinois, 125 West Monroe Street, Chicago, Ill.

16. Location and description of property and equipment: Stocks, bonds, debentures, voting trust certificates and participation certificates, etc., of public utility corporations; located in Chicago, Ill.

17. History of company; Newly organized corporation.

18. Constituent companies—Name, description, and how each is controlled: Insull, Son & Co. (Inc.), an Illinois corporation organized to acquire, own, and dispose of and to deal generally in stocks, bonds, debentures and other obligations

and securities, all of the stock of which company, except directors' qualifying shares, is owned by Insull Utility Investments (Inc.).

19. Supplementary information not included above: There is attached to each certificate for shares of said \$5.50 prior preferred stock a nondetachable common stock purchase warrant entitling the stockholder named in the certificate to purchase from the company for each share represented by such certificate, 5 shares of common stock of the company at the price of \$15 per share upon surrender of the certificate before June 30, 1929; or 4 shares of common stock of the company at the price of \$20, per share upon the surrender of the certificate after June 30, 1929, and before January 1, 1930; or 3 shares of common stock of the company at the price of \$25 per share upon the surrender of the certificate after December 31, 1929, and before July 1, 1930.

20. Depreciation policy: None.

AGREEMENTS

The above-named company does hereby agree:

(1) Not to dispose of an integral asset, nor its stock interest in any constituent, subsidiary, owned or controlled company, except in the regular course of business, or allow any of said constituent, subsidiary, owned or controlled companies to dispose of an integral asset or stock interest in other companies, except in the regular course of business, without notice to the Chicago Stock Exchange.

(2) To publish once in each year and submit to the stockholders and the Chicago Stock Exchange, a statement of its financial condition, a consolidated income account covering the previous fiscal year, a consolidated balance sheet showing assets and liabilities at the end of the year, or an income account and balance sheet of the parent company and of all constituent, subsidiary, owned or controlled companies.

(3) To maintain, in the city of Chicago, within the vicinity of the exchange a transfer office or agency (which may be the company), where all listed securities shall be directly transferable.

(4) Also to maintain, in the city of Chicago, within the vicinity of the exchange a registry office, not identical with the transfer office, where all listed securities shall be registered and which shall be a responsible bank or trust company satisfactory to the committee on stock list.

(5) In case it makes transfers of its shares in other cities as well as in Chicago, all certificates of stock shall be interchangeably transferable and bear a legend reciting the right of transfer in Chicago and other cities. All such certificates shall be identical in color and form, except as to names of transfer agent and registrar, and the combined amounts of stocks registered in all such cities shall at no time exceed the amount authorized to be listed.

(6) To give the Chicago Stock Exchange at least 15 days' notice of any proposed increase in the authorized or outstanding capital stock of the corporation and forthwith to apply for the listing thereof, if the original issue of the same class of stock has previously been listed.

(7) Not to make any change without the approval of the committee on stock list: (a) In listed securities, (b) of a transfer agency, (c) of a registrar of its stock.

(8) To notify the Chicago Stock Exchange in the event of the issuance or creation in any form or manner of any rights to subscribe to or to be allotted its securities, or of any other rights or benefits pertaining to ownership in its securities, so as to afford the holders of its securities a proper period within which to record their interests and so that all rights to subscribe or to receive allotments and all other such rights and benefits shall be transferable, and shall be transferable and deliverable in the city of Chicago.

(9) To publish promptly to holders of stocks any action in respect to dividends on shares, or allotment of rights for subscription to securities, notice thereof to be sent to the stock exchange, and to give the Chicago Stock Exchange at least 10 days' notice in advance of the closing of the transfer books or extensions, or of the time of the taking of a record of holders for any purpose.

(10) To furnish to the Chicago Stock Exchange, at any time, on demand, such reasonable information concerning the company or its condition, as may be required.

(11) To have on hand at all times a sufficient supply of certificates to meet the demands for transfer.

The above-named company hereby applies to have the stocks mentioned above listed on the Chicago Stock Exchange, and the undersigned hereby certify that

the answers given by them above and in the papers hereto annexed or referred to, are true at the best of their knowledge and belief.

[COMPANY'S SEAL.]

SAMUEL INSULL,
President.

P. J. McENROE,
Secretary.

Approved.

WALLACE C. WINTER,
Chairman.

W. A. LAMSON,
LEEDS MITCHELL,
M. J. O'BRYAN,
ROBERT J. FISCHER,
Committee on Stock List.

State of Illinois }
County of Cook }ss.

On the 11th day of January, 1929, personally appeared before me, Samuel Insull, and P. J. McEnroe, and severally made oath that they are respectively, president and secretary of the above-named company, and that the foregoing statement by them subscribed is true.

In witness whereof, I have hereunto set my hand and affixed my official seal, the day and year first above written.

CHARLES L. SHEPPARD,
Notary Public.

Mr. PECORA. Mr. Davis, will you please tell the committee the procedure followed by the Chicago Stock Exchange upon receipt of an application for the listing of securities?

Mr. DAVIS. Upon receipt of an application, the application, of course, goes to the secretary of the stock exchange. It is then referred by the secretary of the stock exchange to an examiner, who checks through the application to make certain that all the requirements are met and all exhibits are attached to the application.

Mr. PECORA. Is that examiner a certified public accountant?

Mr. DAVIS. He is not.

Mr. PECORA. Go ahead.

Mr. DAVIS. The examiner then checks over, first, all the formal part of the application, to make sure we have all the supporting exhibits, which are outlined as required in that application. The matter then is referred to the listing committee. If you will notice on the last page, a representative of the corporation making the application is authorized by the corporation to appear on behalf of the corporation.

Mr. PECORA. Do you know who appeared on behalf of the Insull Utility Investments (Inc.), in connection with its application to list its shares on your board?

Mr. DAVIS. To my best knowledge, Mr. Samuel Insull, jr., appeared; Mr. Cyrus Adams, an attorney; and Mr. Tobey, who is also an attorney.

Mr. PECORA. Mr. Samuel Insull, jr., appeared with two attorneys, is that it?

Mr. DAVIS. Appeared with two attorneys.

Mr. PECORA. Were you a member of the committee on stock list of your exchange at that time?

Mr. DAVIS. Yes, sir. I did not, however, attend that meeting of the stock list committee.

Mr. PECORA. Do you know what members of your committee attended that meeting or hearing?

Mr. DAVIS. Yes.

Mr. PECORA. Who?

Mr. DAVIS. The application was approved by the following members of the committee: Mr. Wallace E. Winter, chairman; Mr. W. A. Lamson; Mr. Leeds Mitchell; Mr. M. J. O'Brien; and Mr. Robert J. Fisher.

Mr. PECORA. Was a record, stenographic or otherwise, made of the proceedings at that hearing?

Mr. DAVIS. Yes, sir.

Mr. PECORA. Have you the transcript of that record?

Mr. DAVIS. Yes, sir; I have.

Mr. PECORA. Will you produce it, please?

Mr. DAVIS. Records are not always kept of all hearings, depending upon the nature of the hearing. In this particular case, a transcript was kept of the hearing, and I have that here [producing paper].

In addition to the members present, Mr. Charles T. Atkinson, who was then secretary of the stock exchange, acted as secretary of the committee; and Mr. Clark J. W. Colby, who was assistant secretary, acted in this application in the capacity of examiner. I have there the transcript [producing a document].

Mr. PECORA. This is a rather voluminous record. I do not want to take the time of the committee in public session to familiarize myself with it, but do you expect to be here for further examination, after I get through to-day with you?

Mr. DAVIS. If you wish; yes, sir.

Mr. PECORA. Mr. Davis, pending our reading of the transcript you have furnished us with of the proceedings or hearing before your stock list committee, let me ask you if you noticed in the application for the listing of the stock that it was set forth that 250,000 shares of the common stock had been subscribed for at the rate of \$12 per share in cash? Did you notice that?

Mr. DAVIS. Yes, sir. That is a part of the application.

Mr. PECORA. A part of the application. There is a reference in the application to the proposed issuance of 40,000 shares of preferred stock, first series, and 764,000 shares of common stock, for a consideration of \$9,765,908. Do you observe that?

Mr. DAVIS. Yes, sir.

Mr. PECORA. Do you observe that the price at which the 764,000 shares of common stock referred to there was to be issued is not mentioned?

Mr. DAVIS. It is not mentioned, and, of course, that is one of the reasons why, in certain instances, we have these rather lengthy hearings that you spoke about there. The purpose of that hearing is to elucidate matters that are referred to in the application which are not made clear. You will find in that transcript a reference made to that point.

Mr. PECORA. Without my taking the time now to go through that transcript which is quite voluminous, I will ask you if you can inform the committee whether, at the hearing held upon this application, it was brought out that these 764,000 shares of common stock were to be issued at a price cost of \$7.54 a share to Mr. Samuel Insull?

Mr. DAVIS. It is referred to there in that transcript as being at a price of something over \$7.50 a share.

Mr. PECORA. The application to list this stock was received on January 11.

Mr. DAVIS. I am not certain as to when it was received. It was received at some time on or before the 15th.

Mr. PECORA. On the 15th of January a hearing was held on the application.

Mr. DAVIS. That was the day of the meeting of the list committee, so it must have been received some time before that.

Mr. PECORA. Was the stock admitted to the floor?

Mr. DAVIS. No. The stock list committee met for the consideration of this application and others on the 15th.

Mr. PECORA. Was it then admitted to your list?

Mr. DAVIS. It was not. It was approved—the application was then approved by the stock list committee—and was referred to the meeting of the governing committee which took place the following day.

Mr. PECORA. When was the stock permitted to be listed on this application?

Mr. DAVIS. The stock was listed for trading at the opening of the market, or after the opening of the market, on the 17th.

Mr. PECORA. The 17th of January.

Mr. DAVIS. The 17th of January.

Mr. PECORA. That is, two days after the hearing was held by the stock list committee of the exchange?

Mr. DAVIS. Yes, sir.

Mr. PECORA. Do you know at what price trading on it opened on the 17th of January, 1929?

Mr. DAVIS. I have a record here of that. The records which are compiled from the tape records of the transactions are compiled by our clerical force. The record shows that on the 17th day of January there were a total of 4,150 shares traded in, and the market that day was 30 for each transaction, so obviously the stock opened at \$30 a share.

Mr. PECORA. How many sales were recorded in the stock on the opening day?

Mr. DAVIS. There was a total volume of 4,150 shares.

Mr. PECORA. I know that, but how many sales or transactions does that volume represent?

Mr. DAVIS. I can not give you that.

Mr. PECORA. You have not got that?

Mr. DAVIS. I have not got the number of transactions.

Mr. PECORA. Does not your exchange keep records of each transaction cleared on its floor?

Mr. DAVIS. We keep a daily quotation sheet, which is taken from the tape record.

Mr. PECORA. Do you not also keep records of the transactions?

Mr. DAVIS. Of each individual transaction?

Mr. PECORA. Yes.

Mr. DAVIS. No.

Mr. PECORA. Whatever transactions occurred, they were all at a price of \$30 a share?

Mr. DAVIS. They were all at a price of \$30 a share.

Mr. PECORA. What was the range of prices of the second day's trading in the common stock of this company?

Mr. DAVIS. On the second day there were 16,950 shares—and that is a round figure, because we do not count the odd lots in those figures. The low was 33½. The high was 40, and the close was 40, so it had a range of from 33½ to 40 on the second day of trading.

Mr. PECORA. The second day's trading amounted to some 16,000 shares?

Mr. DAVIS. Sixteen thousand nine hundred and fifty shares. That is a round figure.

Mr. PECORA. Do your records show who made those transactions, who participated in them, either on the first day or the second day?

Mr. DAVIS. The records of the stock exchange would not show that; no.

Mr. PECORA. In view of the fact that the application to list this common stock showed to the authorities of your exchange that 764,000 shares of the common stock were to be issued or had been issued at a price of \$7.54 a share, and that 250,000 other shares of the same common stock were to be issued, or had been issued at \$12 a share, did any of the authorities or officers of your stock exchange take any action when they noticed that on the first day's trading, two days after the hearing on this application, the stock opened at \$30 a share, and on the second day the trades were within a range of prices from \$33.50 low to \$40 high?

Mr. DAVIS. No, sir; and I do not think it is the function of the stock exchange to take any action, because the stock exchange does not make any sales. It does not itself buy or sell stock, or fix a price. It furnishes a place where stocks can be dealt in.

Mr. PECORA. It furnishes a medium for dealing in stocks by transactions of buying and selling?

Mr. DAVIS. Yes, sir.

Mr. PECORA. And without that medium, such transactions would be much more limited and exceedingly difficult of accomplishment, isn't that so?

Mr. DAVIS. It undoubtedly facilitates trading; yes, sir.

Mr. PECORA. In view of the fact that the facilities afforded by the stock exchange are of that character, and serve those purposes, don't you think that it is the function of the stock exchange to pay some attention to such elements as I have brought to your notice here in the case of the Insull Utility Investments Co. stock?

Mr. DAVIS. The price of any stock at any time is, of course, made by the balance between the buying orders and the selling orders.

Mr. PECORA. Is not the price also made frequently by manipulations of those trades in the market?

Mr. DAVIS. That, I do not know.

Mr. PECORA. How long have you been a stock broker—since 1919?

Mr. DAVIS. 1919, and before that.

Mr. PECORA. Do you profess absolute ignorance of that, Mr. Davis?

Mr. DAVIS. No. That was not the answer I gave you.

Mr. PECORA. You said you did not know.

Mr. DAVIS. I do not know of any instances.

Mr. PECORA. You never heard of that having been done?

Mr. DAVIS. I have heard of it being done, yes; but if you ask me for an instance of it, I could not give you one.

Mr. PECORA. Did you ever hear of wash sales of securities through the medium of a stock exchange?

Mr. DAVIS. Yes; but we have none on our exchange.

Mr. PECORA. But you have heard the term?

Mr. DAVIS. I have heard the term; yes.

Mr. PECORA. What do you understand by the term? What kind of a transaction does that term convey to your mind?

Mr. DAVIS. A transaction where there is no change in ownership.

Mr. PECORA. That is, where there is no real buying or selling which involves a transfer of ownership of the security that is the subject of the trade; is that right?

Mr. DAVIS. Yes, sir.

Mr. PECORA. And you know it is against the law to indulge in wash sales in some States?

Mr. DAVIS. Yes, sir. I understand it is against the law in the State of Illinois.

Mr. PECORA. What steps are taken, if any, by your exchange, to see to it that the law is not violated? Can you tell us?

Mr. DAVIS. We have a very definite rule pertaining to that.

Mr. PECORA. Apart from rules, what do you do to see that that rule, or the State law, is not violated; can you tell us?

Mr. DAVIS. We have a business conduct committee, one of whose functions is to watch out for just such violations, if there were any.

Mr. PECORA. Did you ever ascertain, or do you know of any instance, where your business conduct committee brought to light such a violation? [The witness turned to confer with an associate.]

No; I am asking you, Mr. Davis; not the gentleman sitting behind you.

Mr. DAVIS. May I refer to records we have had of the cases on that?

Mr. PECORA. Can you not tell me from recollection? You are the president of the exchange. You have been a member for 14 years. Can you not tell me from recollection?

Mr. DAVIS. There have been no cases of this kind while I have been president of the exchange.

Mr. PECORA. During the 14 years of your membership on your board, have you heard of the business conduct committee of your institution bringing to light any such case of wash sales?

Mr. DAVIS. There is one case that I would like to refer to the file on, that took place several years ago. If I may look at my file on that—I am not sure whether the technical point was wash sales, or not. I want to be absolutely sure of that.

Mr. PECORA. With the exception of that one possible case, can you recall any other?

Mr. DAVIS. I can recall no other. I am not certain that was that sort of a case.

Mr. PECORA. Mr. Davis, would that indicate to you that during the last 14 years there have been no wash-sales transactions indulged in in your institution?

Mr. DAVIS. I think that the members of our exchange are very well informed with regard to the rule of the exchange and also the State law pertaining to that.

Mr. PECORA. No; what I want to know is, how well informed the officers of your exchange are with respect to any violations of that rule and of that State law.

Mr. DAVIS. I am sure if there had been any violations, they would have been brought to our attention, or the business conduct committee would have found out about that, and would have proceeded against these and would have taken care of any violations, had there been any.

Mr. PECORA. How would a wash sale be effected, Mr. Davis?

Mr. DAVIS. I have never had any personal experience with wash sales, so I would not know that.

Mr. PECORA. I do not mean to imply, of course, that you could tell me from personal experience, but from your knowledge of operations and methods of transacting trades and business on the floor of the exchange, could you tell me how a wash sale could be effected? That is, by what mechanics it could be effected?

Mr. DAVIS. A wash sale would, of course, have to be where a man sells something to himself.

Mr. PECORA. How could he do that?

Mr. DAVIS. I do not see how he could do it, under the rules of the exchange.

Mr. PECORA. How could he do it in violation of the rules of the exchange, or by evading or getting around the rules of the exchange?

Mr. DAVIS. I do not believe I could answer that. I am not trying to evade the question.

Mr. PECORA. Could he do it by giving a buying order to one broker, and giving a selling order, in the same security and for the same amount, and for the same price, to another broker?

Mr. DAVIS. I am not certain that that would result in a wash transaction, particularly if the stock—if you had an active market in the stock, it might or might not result in a wash transaction, because if he gave the order to buy to one broker, that broker would be buying as against all the stock offered for sale, and if he gave another order to sell stock, in turn, that would be offered to any buyer who would want to buy it.

Mr. PECORA. You do not mean, Mr. Davis, to tell the committee that it is physically impossible for wash sales to be consummated through the facilities of your exchange by any of its members?

Mr. DAVIS. It would certainly take collusion of two members to do it, would it not?

Mr. PECORA. Probably. Well, it could be done, assuming that two or more members wanted to violate the rule?

Mr. DAVIS. Yes.

Mr. PECORA. What would be the physical process by which they could violate it?

Mr. DAVIS. There would have to be collusion between two members.

Mr. PECORA. Assuming it would be by collusion, what would be the mechanics of the operation?

Mr. DAVIS. I think you have outlined what would happen.

Mr. PECORA. You outline it. You can probably do it better.

Mr. DAVIS. I am not certain that that would result in a wash sale.

Mr. PECORA. What kind of transactions would result in a wash sale, as a wash sale is defined and prohibited by the rulings of your exchange?

Mr. DAVIS. If a man were to buy and sell on the exchange with no change of ownership.

Mr. PECORA. How could that be effected? What would be the mechanical steps or process by which that could be effected?

Mr. DAVIS. If a man himself, a broker, were to offer stock for sale, and buy it for his own account—he might do it a few times, but the stock exchange has auditors who audit the books of its members and those transactions would be discovered.

Mr. PECORA. It could easily be done by collusion between two or more brokers, could it not, executing, buying, and selling orders for the same customer?

Mr. DAVIS. My impression is that would be detected.

Mr. PECORA. I mean, it could be done that way.

Mr. DAVIS. Yes; by collusion, it could be done.

Senator FLETCHER. How many members have you?

Mr. DAVIS. We have at the present time about 390 members.

Senator FLETCHER. Have they decreased in number in the last few years?

Mr. DAVIS. Originally we had 235 members. Then the membership was doubled to a total of 470 memberships, the old members each holding two memberships, Senator. Many of our members have sold their dividend membership, so-called, so that I think our total membership has materially increased in the last few years.

Mr. PECORA. Mr. Davis, take, for instance, the action of the listing and the opening trades in the stock of Insull Utility Investments (Inc.). When a stock is first listed and traded upon, it is usual for somebody to make the market for the stock in its opening trades, is it not?

Mr. DAVIS. Someone watches the market, acting as a specialist or acting as a broker, to be particularly interested in that security; yes, sir.

Mr. PECORA. The market would be made by those having an existing interest in the stock?

Mr. DAVIS. That is usually the case.

Mr. PECORA. So that if, on January 17, 1929, which was the opening day of the trading in the common stock on your exchange of the Insull Utility Investments (Inc.), the only persons to whom stock had actually been issued by that corporation were Samuel Insull and other individuals connected with his family and Halsey, Stuart & Co., they would be the persons interested in making the market. Is that a fair assumption?

Mr. DAVIS. They might be; yes.

Mr. PECORA. When a market was made, as indicated by the opening of \$30 a share for this stock, would not that price be regarded as considerably out of line with the value of the stock, as such value was indicated by the listing application, which set forth, among other things, that 764,000 shares of that stock had been or were to be sold or issued to Samuel Insull for \$7.54 a share, and another 250,000 shares had been or were to be issued at a price of \$12 a share?

Mr. DAVIS. Of course, the value was placed on the security by the people who wanted to either buy or sell. As a matter of fact, on the morning when that stock opened, I personally was not on the floor. I have checked this up, however. At the time of the opening of this stock, or when it was to be opened, there were no selling orders

at all. Every order that was on the floor, so I am told by associates on the floor, was to buy the stock.

Mr. PECORA. At what price? At \$30?

Mr. DAVIS. At the market.

Mr. PECORA. The market was made by those who gave the only orders, was it not?

Mr. DAVIS. There was no opening. The stock could not be opened at first, because there were only buying orders. It was necessary, therefore, to find stock for sale.

Mr. PECORA. That stock appeared in the course of the day's trading, did it not?

Mr. DAVIS. I am told that after some difficulty, that is, a lot of telephoning to find selling orders, selling orders were secured to sell the stock at \$30 a share.

Mr. PECORA. Do you know where those selling orders came from?

Mr. DAVIS. I do not know the names of the people who sold.

Mr. PECORA. Is there any record of them in the files of your exchange?

Mr. DAVIS. The clearing-house records would show how the sales were cleared at the end of the day, but I do not believe there is a record of the actual transactions of who bought and sold.

Mr. PECORA. Have you the clearing-house record of the first day's trading in this stock?

Mr. DAVIS. Yes.

Mr. PECORA. Are they still in existence?

Mr. DAVIS. Yes. That is a separate institution, though, from the stock exchange.

Mr. PECORA. That institution is more or less under the control of the stock exchange, is it not?

Mr. DAVIS. Yes, it is; but I did not bring those records with me.

May I say one word more about the opening, because I looked into that rather carefully?

Mr. PECORA. All right, sir.

Mr. DAVIS. I was told that the stock for the opening was obtained from people who had bought the debentures that were listed at the same time. In other words, each debenture, as I recall, carried the right to buy 50 shares of common stock for each \$1,000 of debenture, so that as the debentures were being sold, certain people who were not connected directly with the company, these people that you referred to, were given the right to buy blocks of common stock, and they, in turn, were possible sellers of the securities on that first day.

Mr. PECORA. Did you ascertain, from your clearing-house records, whether they were or not?

Mr. DAVIS. The records would not show that, anyway, because they would show merely the names of the brokers.

Mr. PECORA. Was there any specialist on this stock?

Mr. DAVIS. I can not say as to the opening day.

Mr. PECORA. At any time since the opening day?

Mr. DAVIS. There have been a number of people that have specialized in it from time to time. A specialist does not necessarily stay a specialist in the same security for any length of time.

Mr. PECORA. Do you know who the first specialist was in this stock, say, in the year 1929?

Mr. DAVIS. I do not.

Mr. PECORA. Could you find out for us? Have you got the name, Mr. Halsted?

Mr. HALSTED. I do not think we had a specialist in existence at that time.

Mr. DAVIS. May 23, 1929, Mr. John E. Wheeler, of Moses, Wheeler & Scheinman, was appointed a specialist.

Senator FLETCHER. Are Halsey, Stuart & Co. members, or are any of their firm members of your stock exchange?

Mr. DAVIS. Mr. Stuart is a member of the Chicago Stock Exchange.

Mr. PECORA. Which Mr. Stuart is that?

Mr. DAVIS. Mr. H. L. Stuart. But I might say in that connection that the rules of the stock exchange provide that a member of a corporation dealing with the public in securities can not be a member of our stock exchange. That rule was put into effect a number of years ago, but it was not made—

Mr. PECORA. It is not rigidly enforced?

Mr. DAVIS. Yes, it is; but it was not made retroactive, and at the time that rule was put into effect, we had several men who were then connected with corporations, and by a gentlemen's agreement, we will say—one or two of those men were high officials in our banks in Chicago—they have never used their privileges as members of the stock exchange so far as I know, and I am quite certain on this point. Mr. Stuart has never used his privilege on the stock exchange.

Mr. PECORA. Mr. Davis, will you tell us whether or not the listing applications which your exchange requires to be filed with it are designed, among other things, to get information under oath concerning the capital structure of the corporation which desires to have its securities admitted for trading?

Mr. DAVIS. Yes, sir; and the exhibits, too, that accompany that application are also of equal importance. By that I refer to the opinions of counsel and the copies of the articles of incorporation, and the certification by the public accountants.

Mr. PECORA. In other words, the listing application is designed to convey enough information so as to enable the exchange authorities to appraise the value of the securities that are to be admitted by the exchange for trading purposes?

Mr. DAVIS. No, sir. The purpose of the listing application is to furnish information, complete information concerning the company, which information can be available to the investors by way of the members of the stock exchange. The stock exchange makes no effort to estimate values of a company.

Mr. PECORA. No; I do not say the stock exchange itself makes any effort to estimate values, but the information it requires of applicants for listing is of a character that would enable one examining the application form to learn something about the real value?

Mr. DAVIS. Yes, sir.

Mr. PECORA. To whom are these applications made available after they have been favorably acted upon by the exchange?

Mr. DAVIS. First of all, these applications, and all the information contained, all the correlary information, are available to any Government agency.

Mr. PECORA. Governments agencies are not buying and selling securities.

Mr. DAVIS. But they want information. The blue sky commissions drop in to see us. In addition to that, of course, all this information is available to any member of the stock exchange, and, through him, is available to any customer who buys or sells stocks or other securities through that broker.

Mr. PECORA. Is it made directly available to anyone among the investing public desiring such information?

Mr. DAVIS. I do not know of any case where an individual that had a reason for looking at this, coming in as an individual, has been refused access to it.

Mr. PECORA. How many persons have sought that who were not members of the exchange, or were not Government officials of some kind or other, as a matter of actual practice?

Mr. DAVIS. May I ask the secretary of the exchange that, because the inquiry would come to him in that connection?

Mr. PECORA. All right.

Mr. DAVIS (after conferring with an associate). Up until the last year or two, we have been very open about all this information. It has been thrown wide open to the public, as they care to come in. During the last year, we have made it a little harder to get, because of various people searching for information for nuisance suits, and we have requested them to get it through the regular channels, which would be through some regular broker.

Mr. PECORA. How long have you been president of the Chicago Stock Exchange?

Mr. DAVIS. Since June, 1931.

Mr. PECORA. During your presidency, do you know, from personal knowledge, to what extent individuals among the investing public have sought to avail themselves of any facilities that you say your institution would offer, to examine these applications?

Mr. DAVIS. Those inquiries would not come to me, except in the case of my personal friends, and I have had a number of them ask me for information from these applications, which I have furnished to them. A casual person—and by a casual person, I mean some one who is not personally known to one of us—would go direct to the secretary's office for this information, and we, of course, have many inquiries that come by way of the members.

Mr. PECORA. I am not speaking now of the rights of members I am asking you about the rights or privileges accorded to individual-not members, and not public officials, to examine these listing applications upon their mere request.

Mr. DAVIS. As I say, I do not know of any case where information has been refused to anyone who had a reason for knowing about it.

Mr. PECORA. What would be considered a reason which would actuate the exchange in making available these application lists to one of the investing public?

Mr. DAVIS. If a man wanted to buy or sell the security, that would be a reason.

Senator FLETCHER. How were these debentures listed on the 17th of January?

Mr. DAVIS. They were listed on the 17th—that is, they were listed for trading on the 17th.

Senator FLETCHER. The debentures?

Mr. DAVIS. Yes.

Senator FLETCHER. How were they traded in on the 17th—at what prices?

Mr. DAVIS. That I do not know, because most of the bonds that have been listed on our exchange have not had active markets on our exchange.

Senator FLETCHER. These bonds evidently were being traded in, because they were the basis of sales of stock, as you state now.

Mr. DAVIS. That is correct.

Senator FLETCHER. Could you give us an idea of what trades were shown as to the debentures on the opening day?

Mr. DAVIS. I am very sorry that I have no information available here. There is no reason except that the subpoena did not cover that point, and I did not bring it down. But most of the activity in connection with bonds at that time would have been not on the exchange in any event.

Mr. PECORA. Mr. Davis, how many instances do you personally know of during the 14 years you have been connected with the exchange where one not a member of the exchange and not a governmental officer was permitted to examine a listing application? Do you know actually of any?

Mr. DAVIS. Yes.

Mr. PECORA. How many?

Mr. DAVIS. I do not know. But a number of them.

Mr. PECORA. A small number?

Mr. DAVIS. You see, I would not have a way of knowing that, unless some one had inquired of me about a security, and I would say, "Go over to the exchange and see the listing," and they would go.

Mr. PECORA. How many instances have you any knowledge of that kind?

Mr. DAVIS. I would not venture a guess.

Mr. PECORA. As many as 10?

Mr. DAVIS. Yes.

Mr. PECORA. Over the whole 14 years?

Mr. DAVIS. Yes. But I would not even want to venture a statement because it would be simply a guess.

Mr. PECORA. When you say a number of them, how many do you mean?

Mr. DAVIS. That I do not know. I have never given any thought to it, and I have not tried to remember. But I know the underlying theory of it, that any one who wished to know about these things had ready access to them if they had a reason for knowing it.

Mr. PECORA. Who passes on their right or the legitimacy of their reason for looking at these applications?

Mr. DAVIS. The secretary's office would pass on that.

Mr. PECORA. The secretary's office. Do you mean the secretary himself?

Mr. DAVIS. Yes; or one of his assistants. But if any one wants to buy or sell anything on the stock exchange he must necessarily do it through a member of our exchange, and if he is interested enough to buy or sell stock and cares to ask the broker who is a member of the exchange to get the information for him, the broker has complete access to the whole file. And therefore in turn, have the public.

Mr. PECORA. We know that the broker has access to it, but I am talking about the direct access of the investing public. Not the access.

of any broker who is a member. Now Mr. Davis, do you know of any instance where your institution has taken the stock from its trading list because of operations in it that caused sales to be made at prices far in excess of the true value of the security?

MR. DAVIS. I do not think I know of any case, because I do not think that the stock exchange would undertake, and I do not think it is its function, providing there is a free and open market in the stock—I do not think it is its function to say what is the price at which the stock should be traded in.

MR. PECORA. Well, how could a free and open market be restrained or limited or prevented?

MR. DAVIS. Well, the conventional way would be the corner where somebody buys up all the stock there is outstanding.

MR. PECORA. That is only one way, is it not?

MR. DAVIS. That is only one way.

MR. PECORA. What are the other ways?

MR. DAVIS. I personally have had no experience with any—

MR. PECORA. I mean, from general knowledge as distinguished from personal experience.

MR. DAVIS. I do not believe I could answer that without looking up and seeing how it can be done, because I have never had any experience along that line.

MR. PECORA. Well, where stock has been manipulated for the purpose of effecting a corner; what action would be taken by the exchange in such cases?

MR. DAVIS. I do not believe I could answer that without all of the facts pertaining to it, because I have never had any experience with a cornered market.

MR. PECORA. Do you not know from your knowledge of the rules and regulations of the stock exchange what its officers would do in such a case?

MR. DAVIS. I think I would have to know all the circumstances pertaining to it.

MR. PECORA. Well, what circumstances would have to present themselves to you to justify striking an issue from its trading list?

MR. DAVIS. Well, one of the ways—this happens very frequently where an issue of stock will be retired—a preferred issue will be retired, and it will finally get down to the point where there is not enough stock outstanding to warrant a public market, in which case the stock is taken from the list.

MR. PECORA. Any other circumstances?

MR. DAVIS. If the companies do not comply with the points of the contract set forth on the back of the application.

MR. PECORA. Are there any other circumstances based upon methods of trading?

MR. DAVIS. I can not think of any point that has come up, and I would not want to try to guess as to a theoretical reason.

MR. PECORA. Do you not think it is legitimately a function of the exchange to take whatever action might be within its power in its supervision of the conduct of its members, to prevent buying and selling operations that would serve to advance or depress the price of a security to an extent that would make that price out of line with the actual value of the security?

Mr. DAVIS. Well, that again comes back to the point of the stock exchange attempting to say what securities are worth.

Mr. PECORA. Does the stock exchange completely ignore that element in admitting and permitting trades on issues?

Mr. DAVIS. When there is a broad market for securities and a large volume of stock being bought and sold and a general participation on the part of the public, certainly the public makes the price rather than any institution.

Mr. PECORA. Well, that does not answer my question. I ask you if the stock exchange completely ignores the element of trading resulting either in an inflation or deflation of the price at which the security is sold at a figure out of line with its real value. Does it completely ignore that element?

Mr. DAVIS. I do not know how to answer that question, because it is a theoretical question. If you give me a practical case in point I will try to answer.

Mr. PECORA. Well, I will let you from your knowledge and experience furnish the basis of the application of such a power or the exercise of such a power by the exchange.

Mr. DAVIS. Well, I do not believe I could get what is in your mind and make the proper case.

Mr. PECORA. Well, what is in my mind simply is this, to find out from you, from the standpoint of your experience as a broker and as president of the Chicago Stock Exchange, whether or not the exchange as an institution having control over the conduct of its members ignores completely any trading the result of which might be to raise the price or depress the price at which a given security is traded in, to a figure that is completely out of line with the actual value of the security.

Mr. DAVIS. The stock exchange would be interested in any methods that are contrary to its rules. The price, I think, would be entirely a matter of—I do not believe the price is a thing that would influence the stock exchange. I think it would be a matter of the methods that were used.

Mr. PECORA. So that if with a method that you considered in keeping with its rules and regulations a result were to be attained where a stock would be traded in so as to produce a figure way above the true value of the stock, then the exchange would do nothing about it?

Mr. DAVIS. Well, I do not know how you are going to say what the true value is.

Mr. PECORA. By inquiring, would be one way?

Mr. DAVIS. The stock exchange itself then would have to say what was high and what was low, which it can not.

Mr. PECORA. Well, how would you ascertain, say, attempt to ascertain the true value of the security? If you wanted to ascertain its true value?

Mr. DAVIS. There are too many factors there. It would depend on the particular security.

Mr. PECORA. Well, you could find out; you could make an inquiry that would enable you to ascertain generally, at least, the value of a particular security if you saw fit, could you not?

Mr. DAVIS. Any two or three people might with equal facility and with the same facts analyze the company and one would think the

price was high and the other would think it was low. That is what makes buying and selling all day long where there is a market.

Mr. PECORA. And where the buying and selling is indulged in by members of a pool operating in that stock you would not call those operations as operations in a free and unrestrained market, would you, that would tend to fix values?

Mr. DAVIS. Well, I suppose whether or not, would depend on the purpose of the pool.

Mr. PECORA. Well, if the purpose of the pool were to advance the price of a stock or to lower the price of a stock?

Mr. DAVIS. I think it would depend upon the method in which the brokers execute the orders, the buying and selling orders.

Mr. PECORA. Well, they can only execute them by executing whatever orders they receive either to buy or to sell, can they not?

Mr. DAVIS. That is right.

Mr. PECORA. That process is very simple?

Mr. DAVIS. That process is very simple.

Mr. PECORA. The mechanics is very simple?

Mr. DAVIS. The mechanics is very simple.

Mr. PECORA. It is simply a question of the agreement or intent or purpose on the part of those organizing a pool or syndicate to operate in a certain stock?

Mr. DAVIS. It is a matter of intent.

Mr. PECORA. Yes, and that intent can often be ascertained or inferred from a scrutiny of the exchange operations or tradings in the stock, can it not?

Mr. DAVIS. That I am not sure.

Mr. PECORA. Would not such an intent be manifested frequently by a series of trades that would bring the price of a stock up to a figure way beyond its true value?

Mr. DAVIS. Well, of course you have got other factors there. Any individual or group or pool or syndicate buying—if they are interested in having a stock go up they have got to buy all the stock that is offered for sale, and very often there is more stock offered for sale than any individual buys and the market goes the other way.

Mr. PECORA. Mr. Davis, you do not mean they would have to buy all the stock that is offered for sale, do you?

Mr. DAVIS. All the stock offered for sale below the price that they want to eventually put the stock to following your hypothesis.

Mr. PECORA. Yes. And in the wave of mounting prices they could put out some of their own accumulated stock and sell at the advancing prices?

Mr. DAVIS. Yes, sir.

Mr. PECORA. And that is the way it is done, is it not?

Mr. DAVIS. Yes, sir.

Mr. PECORA. Does the exchange ever inquire into those operations where they are manifested by a series of steadily advancing prices or steadily declining prices?

Mr. DAVIS. I do not recall that they have. As long as there is a free and open market for the stock.

Mr. PECORA. Well, how could a free and open market be restrained by pool operations?

Mr. DAVIS. If an individual or a group were to acquire all of the stock that is available for sale.

Mr. PECORA. Now you do not mean that seriously, do you, Mr. Davis?

Mr. DAVIS. Yes.

Mr. PECORA. That it would be necessary for a pool to acquire all of the stock?

Mr. DAVIS. Well, a substantial amount. You have got to acquire enough to take away the supply of the stock.

Mr. PECORA. Well, take for instance, a stock that is freely traded in or generally traded in in day by day operations. What proportion of that stock is usually regarded as free or floating stock, as the brokers understand that term?

Mr. DAVIS. That I do not know. It would depend on the company.

Mr. PECORA. Well, take an average company selling its securities to the public through the medium of the stock exchange.

Mr. DAVIS. Well, all of the stock that is not tied up in management control, or something like that, is free stock as far as the exchange is concerned.

Mr. PECORA. Well, as a matter of actual fact, what proportion of free stock that finds its way into the daily trades?

Mr. DAVIS. That I do not know. It would differ with every company.

Mr. PECORA. The averages would represent a proportion of far less than half, would they not?

Mr. DAVIS. I do not know.

Mr. PECORA. Did you ever hear of such operations as "selling against the box"?

Mr. DAVIS. Yes, sir.

Mr. PECORA. What does that term imply to you as a broker?

Mr. DAVIS. My understanding of it is that a man has a block of 100 shares of stock in his safety-deposit box. He does not care, for some reason of his own, to deliver that 100 shares of stock on a transaction. Therefore he sells the stock through a broker, has the broker borrow the stock, and then later, if he sees fit, buys the stock in the market at a higher or lower or at the same price through his broker, who in turn repays the loaned stock back from where it was borrowed, and he has not disturbed his stock in his box at all.

Mr. PECORA. Is that a species of short selling?

Mr. DAVIS. I think that is a matter of definition, whether it is short selling or not.

Mr. PECORA. Well, what would you say?

Mr. DAVIS. I do not know.

Mr. PECORA. You do not know? Well, who could define it if a broker of 14 years of experience could not?

Mr. DAVIS. Well, it is again a matter of definition.

Mr. PECORA. Do you feel that you are unable to define the term or define that application of the term as being a proper application of the term?

Mr. DAVIS. I think there is probably an accepted definition of it. I do not happen to know the accepted definition of it. I have defined it as best I can with a practical illustration. Now whether that is a short sale again I think is a matter of definition. If you will tell me what a short sale is—

Mr. PECORA. I am not a broker.

Mr. DAVIS. If you will give me a definition I will tell you whether that is a short sale.

Mr. PECORA. I am not a broker.

Mr. DAVIS. I think that is probably a matter of definition, that is all.

Mr. PECORA. Well, what do you regard as a short sale? I will let you apply your definition to it.

Mr. DAVIS. I am not very good on definitions, but I will try. A short sale is probably one where the sale of a stock is completed by borrowing the security sold.

Mr. PECORA. Mr. Davis, have you any idea of the percentage of the trades on the exchange which actually lead to a transfer of ownership of the securities traded in?

Mr. DAVIS. On the Chicago Stock Exchange?

Mr. PECORA. Yes.

Mr. DAVIS. Well, it is almost 100 per cent. Now I can not give you records. I can bring them.

Mr. PECORA. When I say trades, I mean deliveries of the and registration of that stock on the books of the corporation is, the stock.

Mr. DAVIS. Well, there are two different points there when you are talking about the delivering and registration.

Mr. PECORA. I meant to include a transfer of ownership that is reflected on the books of the issuing company or its registrar.

Mr. DAVIS. At the present time from my own knowledge there is considerably more stock being transferred immediately into the name of the purchaser than there has been for a long while.

Mr. PECORA. Well, at the present time what would be the proportion?

Mr. DAVIS. I would have no way of knowing without checking that up, but I would say it is a very considerable amount. Now are you referring to short sales?

Mr. PECORA. No, I am referring to something entirely different now.

Mr. DAVIS. There is practically no short selling on the Chicago Exchange.

Mr. PECORA. I am referring to transactions that actually result in a transfer of ownership on the books of record.

Mr. DAVIS. Well, I would have no way of knowing that. The only way that you could find that out would be to talk to the corporations themselves and find out from their record books.

Mr. PECORA. Could you not give us some idea about that from your experience, 14 years' experience as a broker, where your customers whom you buy for ask you to have the stock registered?

Mr. DAVIS. I could not give you a guess on that. That is a matter I would want to check up.

Mr. PECORA. Now your own transactions in your 14 years of experience are very rare, are they not, where a customer who gives you a buying order asks you to, after the purchase, have the stock transferred in his name?

Mr. DAVIS. Oh, no, they are not rare at all. They are common.

Mr. PECORA. Well, what proportion of the trading?

Mr. DAVIS. I could not say what proportion.

Mr. PECORA. Can you not give us some idea, Mr. Davis?

Mr. DAVIS. No, sir. I do not guess on that point.

Mr. PECORA. Is it as much as 10 per cent?

Mr. DAVIS. I do not guess.

Mr. PECORA. Give us your best idea without a guess.

Mr. DAVIS. No, sir; you are asking me something that I can not say definitely. Therefore I won't venture a guess.

Mr. PECORA. Tell us indefinitely, if you can not tell definitely, but I want your best opinion about it, if that is the best you can give us.

Mr. DAVIS. I am sorry, but I do not want to guess on a matter like that.

Mr. PECORA. Take, for instance, the experience you have had as a broker in the past year. You have executed many buying orders, have you not?

Mr. DAVIS. Yes, sir.

Mr. PECORA. Now what percentage of those buying orders were accompanied by instructions from your customer to have the stock transferred to his name?

Mr. DAVIS. That I do not know.

Mr. PECORA. What proportion generally of those transactions do you know of in your own personal experience within the last month?

Mr. DAVIS. That I do not know.

Mr. PECORA. Who would know if you would not know?

Mr. DAVIS. Any bookkeeper in any brokerage office could answer that question for you.

Mr. PECORA. Well, can you not answer that as far as your own personal business as a broker is concerned?

Mr. DAVIS. Personally I handle no business as a broker.

Mr. PECORA. When did you cease handling business as a broker?

Mr. DAVIS. I personally handle no orders myself at all. Never have.

Mr. PECORA. You are a member of a firm?

Mr. DAVIS. I am a member of a firm.

Mr. PECORA. And you have a floor broker, I suppose?

Mr. DAVIS. That is correct. But I do not check up on the details of that.

Mr. PECORA. Haven't you any information on that?

Mr. DAVIS. No, sir. I can get it for you very quickly, but I could not give it to you offhand.

Mr. PECORA. Have you got with you, Mr. Davis, the application for listing of the securities of the Corporation Securities Co., of Chicago?

Mr. DAVIS. Yes, sir.

Mr. PECORA. Will you produce it, please?

Mr. DAVIS. Coming back to that other point: If you want me to I will get that information for you accurately. Mr. Pecora, may I call your attention to the fact that in these exhibits there is an independent audit of these companies in each case which information is available.

Mr. PECORA. When were the independent audits made?

Mr. DAVIS. They were made at the time of the applications. For instance, we have this one, January 4, of Arthur Young & Co.

Mr. PECORA. That accompanied the application?

Mr. DAVIS. That accompanied the application. That is one of the exhibits to the application.

Mr. PECORA. May I have this for the time being?

Mr. DAVIS. Yes.

Mr. PECORA. Have you got a photostatic copy of it?

Mr. DAVIS. Yes.

Mr. PECORA. Let me have the photostatic copy of it. Is this sheet the independent audit?

Mr. DAVIS. No; this is what took the place of the transcript. That is the analysis. On this particular issue we did not have the formal transcript. But that is the same thing prepared by the examiner at the time. Now in connection with this Corporation Securities Co. we have the audit of Touche-Niven. Here is the certification of Touche-Niven in connection with that. Also here are the articles of incorporation.

Mr. PECORA. Any other documents connected with these applications?

Mr. HALSTED. Yes.

Mr. PECORA. May we have them just overnight, Mr. Halsted?

Mr. HALSTED. Yes.

Mr. PECORA. Can you leave these papers?

Mr. DAVIS. They are entirely at your service.

The CHAIRMAN. We will recess at this time until 10 o'clock tomorrow. And all witnesses now under subpoena will be here tomorrow morning, except those who have been excused.

(Thereupon, at 6 o'clock p. m., Thursday, February 16, 1933, an adjournment was taken until 10 o'clock a. m. the next day, February 17, 1933.)



STOCK EXCHANGE PRACTICES

FRIDAY, FEBRUARY 17, 1933

UNITED STATES SENATE,
SUBCOMMITTEE OF COMMITTEE ON
BANKING AND CURRENCY,
Washington, D. C.

The subcommittee met, pursuant to adjournment on Thursday, February 16, 1933, at 10 o'clock a. m., in room 301, Senate Office Building, Senator Peter Norbeck presiding.

Present: Senators Norbeck (chairman), Townsend, Fletcher, and Costigan.

Present also: Senators Brookhart, Steiwer, Walcott, and Reynolds.

Further present: Ferdinand Pecora, special counsel to the committee; Julius Silver and James B. McDonough, jr., associate counsel to the committee.

The CHAIRMAN. The committee will come to order. Mr. Pecora, who will be your first witness?

Mr. PECORA. Mr. Harold L. Stuart.

The CHAIRMAN. Hold up your right hand, please, and be sworn: You solemnly swear that you will tell the truth, the whole truth, and nothing but the truth regarding the matter now under investigation by this committee, so help you God.

Mr. STUART. I do.

TESTIMONY OF HAROLD L. STUART, PRESIDENT OF HALSEY, STUART & CO., CHICAGO, ILL.

Mr. PECORA. Mr. Stuart, will you kindly give to the committee reporter your full name, and business address, and residence, and your business or occupation.

Mr. STUART. My name is Harold Leonard Stuart; business address 201 South La Salle Street, Chicago; residence address 999 Lake Shore Drive, Chicago; president of Halsey, Stuart & Co., dealers in bonds.

Mr. PECORA. Is Halsey, Stuart & Co. a corporation or a partnership?

Mr. STUART. It is a corporation.

Mr. PECORA. In what State is it incorporated?

Mr. STUART. In Illinois.

Mr. PECORA. Does it maintain its principal place of business or office there?

Mr. STUART. The principal place of business is Chicago.

Mr. PECORA. In what other cities, if any, does it maintain branch offices?

Mr. STUART. In Boston, New York, Philadelphia, St. Louis, and Detroit.

Mr. PECORA. How long has the corporation been in existence?

Mr. STUART. Well, as a corporation it has been in existence since the fall of 1911—I mean as a corporation. It was N. W. Halsey & Co., and it was afterwards changed to Halsey, Stuart & Co., in 1916.

Mr. PECORA. How long have you been identified with that company?

Mr. STUART. Well, with this company and the predecessor partnership since September 1, 1903.

Mr. PECORA. How long have you been president of the existing company?

Mr. STUART. Since 1911.

Mr. PECORA. Since its incorporation?

Mr. STUART. Yes, sir.

Mr. PECORA. And you say the business of the corporation is the dealing in bonds?

Mr. STUART. Only that.

Mr. PECORA. Only of dealing in bonds?

Mr. STUART. Only bonds.

Mr. PECORA. Are you a member of any stock exchange?

Mr. STUART. I am personally a member of the Chicago Stock Exchange.

Mr. PECORA. Is that the only direct affiliation that company has with any stock exchange?

Mr. STUART. Yes.

Mr. PECORA. Do you know a corporation called Insull Utility Investments (Inc.)?

Mr. STUART. I do.

Mr. PECORA. Did you have any affiliation with that corporation?

Mr. STUART. I was a member of the finance committee and a director.

Mr. PECORA. Did you take any part in the organization of that corporation?

Mr. STUART. Only in—well, perhaps I was consulted a little about it.

Mr. PECORA. By whom?

Mr. STUART. Mr. Samuel Insull.

Mr. PECORA. Did you or your company have any participation in the organization of the financial set-up of that company?

Mr. STUART. Yes.

Mr. PECORA. What was the nature of it?

Mr. STUART. We bought \$6,000,000 of 5 per cent debentures with warrants attached, and \$6,000,000 preferred 5½ per cent stock, also with warrants attached.

Mr. PECORA. What was the nature of those warrants that were attached to the debentures that you have referred to? In other words, what rights were conferred by them?

Mr. STUART. I have forgotten. I haven't the circular, but it was the right to buy certain shares of common stock at a price.

Mr. PECORA. At what price?

Mr. STUART. Well, I have forgotten. If I could get a copy of the circular I could identify it probably.

Mr. PECORA. Would this circular which I now hand you help you to answer that question?

Mr. STUART. Shall I read from this? This is the fact.

Mr. PECORA. Just give us an answer after consulting that circular.

Mr. STUART. On the debentures I mentioned, and on the prior preferred stock, there were warrants which entitled the holder to purchase common stock of the company, on or before June 30, 1929, five shares for each \$100 at \$15 a share.

Mr. PECORA. How many of those debentures did you or your company acquire as a total?

Mr. STUART. \$6,000,000 face value.

Senator BROOKHART. At what price?

Mr. STUART. At par and accrued interest.

Mr. PECORA. That meant 60,000 debentures, did it?

Mr. STUART. \$6,000,000 face value.

Senator FLETCHER. You mentioned a while ago preferred stock. Did you then mean prior preferred stock?

Mr. STUART. Prior preferred stock, I should have said.

Senator TOWNSEND. What was the price of the prior preferred stock?

Mr. STUART. We paid par for the preferred stock.

Senator BROOKHART. That is, for the prior preferred stock?

Mr. STUART. Yes, sir.

Senator BROOKHART. What did you pay for the common stock?

Mr. STUART. The common we paid nothing for. But ordinarily in the investment business of course one buys securities at a discount, that is, a banker gets a discount. In this case we thought it would be to the best interests of the company to have the company receive par for its securities in cash, and we received the common stock for nothing for our services.

Senator BROOKHART. And then they would advertise that those debentures had been sold at par.

Mr. STUART. They were sold at par.

Senator BROOKHART. When in fact they had not been, because they gave other securities in order to consummate that deal?

Mr. STUART. Senator, the company got par for the debentures then. They got the full face value of the debentures in cash.

Senator BROOKHART. And they got it by giving you a lot of other stock for nothing.

Mr. STUART. That was the common stock.

Senator BROOKHART. Do you call that a fair deal when there is a side understanding of that kind?

Mr. STUART. Oh, yes. That would be a very favorable deal to the company.

Mr. PECORA. And unfavorable to the purchaser.

Mr. STUART. It would be a very favorable deal to the company. And I would not say unfavorable to the purchaser. But it was a very unusual thing so far as the sale by the company at par was concerned.

Senator BROOKHART. It tended to make the company's credit look better than it really was.

Mr. STUART. I do not get that angle of it, Senator.

Mr. PECORA. Well, now, Mr. Stuart, this is the situation as I understand it. You bought 60,000 shares of prior preferred stock of this Insull Utility Investments (Inc.), upon its organization, and when I say you, of course I mean Halsey, Stuart & Co.

Mr. STUART. Yes, sir.

Mr. PECORA. And each share of that prior preferred stock had warrants attached, giving the holder the right to purchase five shares of common stock of that company at \$15 a share; is that correct?

Mr. STUART. Yes, sir.

Mr. PECORA. So that your company thereby, through its acquisition of those 60,000 shares of prior preferred stock, acquired the right to buy 300,000 shares of Insull Utility Investments (Inc.), common stock at \$15 a share; is that correct?

Mr. STUART. We did not acquire the right. The rights went to the holders of those securities.

Mr. PECORA. Your company as the holder of those securities acquired those rights?

Mr. STUART. Yes, for the moment.

Mr. PECORA. For the moment?

Mr. STUART. Yes, sir.

Mr. PECORA. Those rights were exercised, were they not?

Mr. STUART. I think the rights were all exercised.

Mr. PECORA. By whom?

Mr. STUART. By the holders of the securities.

Mr. PECORA. Who were the holders of those securities originally issued to your company who exercised those rights to buy common stock at \$15 a share?

Mr. STUART. We sold the prior preferred stock, the whole of the 60,000 shares of the prior preferred stock, to the Utility Securities Co. at 95½.

Mr. PECORA. And the Utility Securities Co. was a subsidiary or affiliate of the Insull Utility Investments (Inc.) which was the company that issued that prior preferred stock, was it not?

Mr. STUART. I did not so understand it.

Mr. PECORA. Don't you know that the stock of that company was entirely owned by Insull Utility Investments (Inc.)?

Mr. STUART. No, sir. My understanding of the—well, I never knew, but my understanding in a general way was that the stockholders of the Utility Securities Co., were the various Insull companies, that owned some share in the capitalization, one of them being Insull Utility Investments (Inc.), and Insull Utility Investments (Inc.) was an Insull company.

Mr. PECORA. Insull Utility Investments (Inc.) was an Insull company.

Mr. STUART. Yes, sir.

Mr. PECORA. And Utility Securities Co., to which you say you sold the 60,000 shares of prior preferred stock of Insull Utility Investments (Inc.), was another Insull company, was it not?

Mr. STUART. Yes, sir.

The CHAIRMAN. Do I understand that those securities were issued by one Insull company, and sold to Halsey, Stuart & Co., and then by them sold to another Insull company? Mr. Pecora, will you bring that out?

Mr. PECORA. Is that a correct assumption, Mr. Stuart?

Mr. STUART. Yes, sir.

Senator BROOKHART. Who were the profiteers in that kind of deal?

Mr. STUART. Well, we bought the prior preferred stock from Insull Utility Investments (Inc.) at par. We sold it to the Utility Securities Co. at 95½. That was the stock-distributing company. They distributed that stock to the public at par.

Mr. PECORA. And made sales, many of them?

Mr. STUART. Oh, yes.

Mr. PECORA. How did you get your money back?

Mr. STUART. In our common stock.

Mr. PECORA. How much profit did you get out of that?

Mr. STUART. We got a total of 57,000 shares of common stock given to us at the time we underwrote this.

Mr. PECORA. You got that for nothing?

Mr. STUART. Yes, sir.

Mr. PECORA. Did that cover your losses?

Mr. STUART. We figured that that was going to be worth \$10 a share, and we were willing to take it on that basis instead of cash.

Mr. PECORA. How much was your loss?

Mr. STUART. Well, the actual cash loss on this sale of prior preferred stock was the difference between par and 95½.

Mr. PECORA. How much was the total?

Mr. STUART. \$270,000.

Mr. PECORA. And this was, this other was \$570,000?

Mr. STUART. Yes. But, then, the debentures that we bought at par and sold at par, had we in the ordinary routine bought them for cash, we would have paid 95, and so we figured that that was also chargeable up to the cost of our common stock at \$10 a share.

Mr. PECORA. That is the way I figure it——

Senator FLETCHER (interposing). The common stock sold at 30.

Mr. PECORA. I was coming to that, Senator.

Senator FLETCHER. All right.

Mr. PECORA. Mr. Stuart, what was the reason for the financial operation that you have just told us about, namely, the purchase by your company from this Insull company, called Insull Utility Investments (Inc.), of 60,000 shares of prior preferred stock, with warrants attached, at par, \$100, and the sale of those shares by your company to another Insull company at 95½ ex warrants?

Mr. STUART. No; at 95½ with warrants.

Mr. PECORA. With warrants?

Mr. STUART. Yes; with warrants.

Mr. PECORA. What was the reason for that deal?

Mr. STUART. Well, we thought it would be better for this kind of company, and so did the management, if they realized the full face value of their obligations, which were debentures and their prior preferred stock, in cash.

Senator BROOKHART. It was better for them because it would give the public an exaggerated idea of their financial condition, wasn't it?

Mr. STUART. I wouldn't look at it that way. That was not the idea. There was no such idea in mind.

Senator BROOKHART. I can not see why they would do it for any other reason.

Senator FLETCHER. Well, Mr. Stuart, you were an officer and director of the Insull Co.?

Mr. STUART. Yes, sir.

Senator FLETCHER. And you were president of Halsey, Stuart & Co.?

Mr. STUART. Yes, sir.

Senator FLETCHER. So as an officer of the Insull Co. you sold to the other concern, of which you were president, certain debentures and stock, and then you sold that as the president of Halsey, Stuart

& Co. to another Insull company, owned by the first Insull company, and made a profit.

Mr. STUART. Well, I was a director in Insull Utility Investments (Inc.). That was all, I wasn't running the company. I was one of many directors.

Senator FLETCHER. Was there a conflict of interest between the Insull Company and your company?

Mr. STUART. Well, I shouldn't think there would be, any more than there would be in the case of a banker who is on the board of any corporation with which he does business.

Mr. PECORA. In addition to being a director of Insull Utility Investments (Inc.), you were a member of its finance committee, were you not?

Mr. STUART. I was.

Mr. PECORA. How frequently did the board of directors meet?

Mr. STUART. Infrequently.

Mr. PECORA. Quarterly, wasn't it?

Mr. STUART. I am not sure, but quite infrequently.

Mr. PECORA. The finance committee met weekly, didn't it?

Mr. STUART. Yes, sir.

Mr. PECORA. Was the real management of Insull Utility Investments (Inc.) in a practical sense vested in the members of the finance committee rather than in the board of directors?

Mr. STUART. I should say that all current operations were.

Mr. PECORA. And the process was, for that finance committee to meet weekly, the board of directors to meet quarterly, and that the quarterly meetings of the board of directors reports would be made of some activities of the finance committee in the intervening period, is that right?

Mr. STUART. Yes, sir.

Mr. PECORA. Who besides you composed the finance committee of Insull Utility Investments (Inc.) during the first year of its existence, 1929?

Mr. STUART. Could I get the annual report from some one here? Here it is: Mr. Samuel Insull, sr., Samuel Insull, jr., Martin J. Insull, Walter S. Brewster, and myself.

Mr. PECORA. Mr. Brewster is a stockbroker in Chicago?

Mr. STUART. Mr. Brewster is a stockbroker; yes, sir.

Mr. PECORA. You attended the meetings of the finance committee quite regularly, didn't you?

Mr. STUART. Quite regularly, as regularly as I could.

Mr. PECORA. Was there any special reason for your company turning back to the Utility Securities Co. 60,000 shares of prior preferred stock?

Mr. STUART. Yes, sir.

Mr. PECORA. At a discount from the par value which your company paid for them; is that so?

Mr. STUART. Yes, sir.

Mr. PECORA. What was the reason for that?

Mr. STUART. The lawyers agreed that for some reason or other the transactions ought to be made together. Now, we do not sell stocks at all, never sold any stocks to anybody. We had to find a buyer for that stock. This arrangement was really made between the management of Insull Utility Investments (Inc.) and Utility

Securities Co., but the securities came through us because it all had to be done in one transaction.

Senator BROOKHART. Why did they have to come through you?

Mr. STUART. I do not know. The lawyers decided it ought to be done that way.

Mr. PECORA. In order to have it done that way, the facilities of your company were loaned, would you say, or permitted to be used in the working out of this arrangement?

Mr. STUART. Yes, sir.

Mr. PECORA. And for that your company received 57,000 shares of the common stock of Insull Utility Investments (Inc.)?

Mr. STUART. Yes, sir. But we took an actual cash loss on \$270,000 on the 60,000 shares of prior preferred that we passed on to Utility Securities Co., because we paid par for it and got 95½ for it.

Mr. PECORA. Were those 57,000 shares of common stock for the purpose of enabling you to make up that loss?

Mr. STUART. Yes, sir.

Mr. PECORA. That was the sole consideration for the issuance to you of those 57,000 shares of common stock?

Mr. STUART. No; plus the usual 5 per cent commission on the debentures. You see, if we had bought those debentures for cash we would have paid about 95 for them, and that leaves 5 there.

Senator BROOKHART. Why couldn't you have passed that spread over to the other company and saved that 5 per cent commission, and saved this excess value of common stock? I can not see any use of going round the ring there.

Mr. STUART. Except, that the company got par for the prior preferred stock.

Mr. PECORA. The company got par for the prior preferred stock from your company?

Mr. STUART. Yes.

Mr. PECORA. And you transferred it to another Insull company at 95½?

Mr. STUART. Yes.

Mr. PECORA. Leaving your company out a matter of \$240,000.

Mr. STUART. No; \$270,000.

Mr. PECORA. And to reimburse or recompense your company for that loss your company received at the same time and as part and parcel of the transaction, a block of 57,000 shares of common stock of Insull Utility Investments (Inc.).

Mr. STUART. Yes, sir; in connection with that, and also in connection with the 5 points discount which we would have got had we paid 95 for those debentures.

Mr. PECORA. You mean if you had underwritten the debentures in the ordinary market way you would have been allowed a 5-point spread, is that it?

Mr. STUART. That is it.

Mr. MILLER. Might I add a correction to the witness's testimony there?

Mr. PECORA. What is your name?

Mr. MILLER. My name is Miller.

Mr. PECORA. Is Mr. Miller your attorney, Mr. Stuart?

Mr. STUART. Yes, sir.

Mr. MILLER. There is one correction I want to suggest, if you will permit it.

Mr. PECORA. I have no objection to a correction.

Mr. MILLER. As to the 57,000 shares, did they come from the company or from the Insulls?

Mr. STUART. Oh, that came from the Insull family.

Senator BROOKHART. It was still the same thing, coming from the Insull family.

Mr. STUART. But those came out of their own personal holdings.

Mr. PECORA. The value of the stock to you remained the same, whether given to you directly by the company or by Mr. Insull or members of his family.

Mr. STUART. That is right.

Mr. PECORA. Now, as a matter of fact, your company did not actually risk the amount of money that it paid over when it took over those 60,000 shares of prior preferred stock at par, did it?

Mr. STUART. No. We knew we were going to sell that stock immediately to the Utility Securities Co.

Mr. PECORA. Was there really any actual transfer of funds amounting to \$6,000,000, or thereabouts, from your company to Insull Utility Investments (Inc.) in that operation?

Mr. STUART. No. We knew that they would take the stock.

Mr. PECORA. You lent yourselves to that process as an accommodation.

Mr. STUART. Yes, sir.

Mr. PECORA. And for that accommodation you received 57,000 shares of common stock from Mr. Insull, is that right?

Mr. STUART. No; it is not. We actually bought, took the risk and paid over the whole \$12,000,000 in the way of the securities of the——

Mr. PECORA (interposing). Wait a minute. Let us confine ourselves, first, to the 60,000 shares of prior preferred stock, and then I will take up the acquisition by your company of \$6,000,000 of debentures.

Mr. STUART. But the 57,000 shares of common stock applied to the debentures as well as to the prior preferred stock.

Mr. PECORA. Well, I will take that up later.

Mr. STUART. So the 57,000 shares of common stock were not a consideration for simply that prior preferred stock.

Mr. PECORA. That is, it was a consideration not only for your lending yourself to this thing that Senator Brookhart has termed round-the-ring process, but also for your company taking at par \$6,000,000 of debenture notes that were issued at the same time by Insull Utility Investments (Inc.); is that correct?

Mr. STUART. Well, if you will let me correct this round-the-ring expression: Utility Securities Co. was a regularly organized company to distribute stocks to the public. We bought from Insull Utility Investments (Inc.), \$6,000,000 of prior preferred stock, for which we paid par to the company.

Mr. PECORA. That is \$6,000,000.

Mr. STUART. Yes, sir. We sold that same stock to the Utility Securities Co. for \$270,000 less than par. That was an actual out-of-pocket loss to Halsey, Stuart & Co. of \$270,000.

Mr. PECORA. We understand that. But——

Senator FLETCHER (interposing). You had already done that before you bought it.

Mr. STUART. Yes; they had agreed to do that. But that was our loss, \$270,000.

Mr. PECORA. That was a loss you had agreed in advance to take.

Mr. STUART. Yes. Now, we agreed to take 27,000 shares of stock, which we were willing to take at \$10 a share, for that \$270,000 loss that applied to the preferred stock. But please do not get the idea that this was any intercompany transaction, where the money went back into some body's pocket in connection with the transaction. That was all sold to the public.

Mr. PECORA. Eventually that went to the public?

Mr. STUART. Immediately.

Senator BROOKHART. Those 27,000 shares that you took at \$10, you disposed of them?

Mr. STUART. We disposed of it later in connection with the Corporation Securities Co.

Senator BROOKHART. Do you remember what you got for that?

Mr. STUART. Par.

Senator BROOKHART. What was the value of it?

Mr. STUART. The value of all the stock we had went into many millions of dollars, for which we took Corporation Securities Co. common stock.

Senator BROOKHART. This stock sold for 30 the first day, didn't it?

Mr. STUART. I have forgotten.

Senator REYNOLDS. Mr. Chairman, I should like to ask a question or two with your permission.

The CHAIRMAN. Very well.

Senator REYNOLDS. Mr. Stuart, you got 27,000 shares of stock, and you took it over at \$10 a share, didn't you?

Mr. STUART. Yes, sir.

Senator REYNOLDS. And ten times 27,000 is \$270,000.

Mr. STUART. Yes, sir.

Senator REYNOLDS. Which wiped out any loss that you say you might have had?

Mr. STUART. Yes, sir.

Senator REYNOLDS. And that you took in the beginning?

Mr. STUART. Yes; we figured that would do that.

Senator REYNOLDS. What did those 27,000 shares of stock sell for actually? I understand that you took it in at \$10 a share. Now what did you get for it?

Mr. STUART. Well, we never sold it except to the Corporation Securities Co. for paper.

Senator REYNOLDS. For what kind of paper?

Mr. STUART. Common stock.

Senator REYNOLDS. For common stock. Did you get 27,000 shares of common stock?

Mr. STUART. Of Insull Utility Investments (Inc.), yes.

Senator REYNOLDS. You took that in at \$10 a share. What did you do with it?

Mr. STUART. That, with some other stock, we eventually exchanged for Corporation Securities Co. common stock.

Senator REYNOLDS. I understood that your company did not deal in stocks.

Mr. STUART. Well, we do not.

Senator REYNOLDS. But you did then.

Mr. STUART. No. That was our own stock.

Senator REYNOLDS. You have that now, haven't you, the 27,000 shares of common stock?

Mr. STUART. Yes.

Senator REYNOLDS. In view of the fact that the Insull Co. is broke you are out \$270,000, aren't you?

Mr. STUART. Yes.

Senator REYNOLDS. You never did get back that \$270,000, did you?

Mr. STUART. It seems to me we did, when the corporation——

Senator REYNOLDS (interposing). You are the president of that company. I assumed that you knew as to whether or not you lost \$270,000. Now, did you lose it or didn't you lose it?

Mr. STUART. No. I think we got that \$270,000 back in the organization of Corporation Securities Co.

Senator REYNOLDS. Are you sure you did?

Mr. STUART. I am quite sure.

Senator REYNOLDS. That you got that back?

Mr. STUART. Yes, sir.

Senator REYNOLDS. I want to know this: Why you bought \$6,000,000 of debentures with warrants attached and immediately sold them to another Insull company at a loss of \$270,000? That was the question Mr. Pecora put to you a moment ago but I can not get it through my head why you were willing to take a chance of losing all that money.

Mr. STUART. Oh, we sold the preferred stock to the Utility Securities Co.

Senator REYNOLDS. I understood you to say a while ago that your company never dealt in stocks.

Mr. STUART. We passed those right along.

Senator REYNOLDS. Why did you in this instance, when you never did anything of the kind before, deal in those stocks?

Mr. STUART. If I may be permitted to explain that.

Senator REYNOLDS. Yes, I want you to explain it.

Mr. STUART. Well, please let me explain it. I said when the company was organized the lawyers thought it would be better for the company to sell the preferred and the debentures all at the same time, through one source, but why I do not know.

Senator REYNOLDS. Well, you were the president of the company, were you not?

Mr. STUART. Of Halsey, Stuart & Co.

Senator REYNOLDS. Now, this transaction was taking place through your company.

Mr. STUART. Oh, yes,

Senator REYNOLDS. Didn't you even ask your lawyer why they had to do that; that merry-go-round business which is talked about here?

Mr. STUART. Well, Senator, it really did not make any difference because we were not going to distribute that stock to the public. Here was a utility over here that wanted to buy. We paid for it all at one time and passed it right through to Utility Securities Co., at 95½.

Senator REYNOLDS. And they sold it at par?

Mr. STUART. Yes; I think so.

Senator REYNOLDS. Didn't you say a while ago that you paid par for it so it would look better?

Mr. STUART. Yes; we wanted to pay par, and —

Senator REYNOLDS (interposing). So it would appear. But why did you want to pay par, to make something for the Insull Co. look better to the public?

Mr. STUART. Will you let me have time to make a little statement about that?

Senator REYNOLDS. Yes.

Mr. STUART. When Insull Utility Investments (Inc.) was formed Mr. Insull debated it for a long, long time, before he formed it, for many, many months. He said that he wanted, or that his idea was to form an investment company which he and his family would put all their securities into, securities of his various companies into, and it would be a relatively small company so that they could consolidate their holdings. When we discussed the price at which we would buy those securities he said that he thought, being a personal company, and every company always having to pay a discount on securities, if we could work it out so that the company would receive par for those debentures and the preferred stock, it would please him very much indeed, as it was a personal matter with him. So we worked out this scheme to pay par and get no compensation other than the compensation we would get in the common stock.

Senator REYNOLDS. As a matter of fact, the Insulls were interested in having your particular company pay par for that stock. The Insulls themselves, I say, were interested in having your company pay par for that stock; is that right?

Mr. STUART. I presume so.

Senator REYNOLDS. Well, they were interested to the extent of giving you 27,000 shares of their own common stock, weren't they?

Mr. STUART. Yes, sir.

Senator REYNOLDS. Now, you knew why they were interested in that then, didn't you?

Mr. STUART. Only for the reason I have given you.

Senator REYNOLDS. Didn't you know it was for the purpose of making those securities look better to the public?

Mr. STUART. Well, I think it would make the securities look better to the public, for the company to get par for them.

Senator REYNOLDS. And therefore Insull gave to you out of his own personal possession \$27,000?—

Mr. PECORA (interposing). Gave them 27,000 shares.

Senator REYNOLDS. Yes, gave your company 27,000 shares, in order to make this look better to the suckers who were going to buy. That was right, wasn't it?

Mr. STUART. Well, I wouldn't put it that way.

Senator REYNOLDS. Well, you could put it a little milder perhaps, but that is true, isn't it?

Mr. STUART. No; I wouldn't put it that way at all.

Senator REYNOLDS. Now, what you asked, Mr. Pecora, and what I am trying to get at is this: Why Insull was so interested in taking out of his own pocket 27,000 shares of stock and giving it to Mr. Stuart just to get him to buy it at par. That is what I want to know.

Mr. STUART. I could only give you the reasons and the discussion that took place.

Senator REYNOLDS. I want to ask you this: You finally sold those 27,000 shares, didn't you?

Mr. STUART. Yes; we finally sold them.

Senator REYNOLDS. What did you get a share for them?

Mr. STUART. Exactly what we paid for them.

Senator REYNOLDS. \$10 a share?

Mr. STUART. Yes, sir.

Senator REYNOLDS. Didn't you put them on the market, which paid \$30 a share for them in the beginning?

Mr. STUART. We didn't sell any stock.

Senator REYNOLDS. You didn't sell any stock at all?

Mr. STUART. No.

Senator REYNOLDS. How much did your company make out of this transaction?

Mr. STUART. Well, our company——

Senator REYNOLDS (interposing). Taking the transaction as a whole, pertaining to 60,000 shares of prior preferred stock with warrants and \$6,000,000 of debentures. Now \$12,000,000 were involved there.

Mr. STUART. Yes, sir.

Senator REYNOLDS. How much money did you actually put up, if any?

Mr. STUART. Well, we put up all the money. We paid for it all.

Senator REYNOLDS. Did you actually transfer the money?

Mr. STUART. Oh, yes; actually.

Senator REYNOLDS. There is no question about that?

Mr. STUART. No. We actually paid the money.

Senator REYNOLDS. How much money did your company make out of this transaction?

Mr. STUART. Well, on the prior preferred stock of course we lost in cash and got that 27,000 shares of common stock.

Senator REYNOLDS. You got that back?

Mr. STUART. Yes; we got that back, but no profit.

Senator REYNOLDS. All right. How much money on the other?

Mr. STUART. For the \$6,000,000 of debentures we bought at par, we sold \$4,000,000 of them to the public at par, and kept \$2,000,000, or approximately \$2,000,000 of them, at par.

Senator REYNOLDS. Have you still got them?

Mr. STUART. No.

Senator REYNOLDS. When did you sell them?

Mr. STUART. Well, we sold them some time later. I have not the details of that. But we have statistics here with us. But let me give you this picture: As soon as this Insull Utility Investments (Inc.) was organized there was a tremendous demand, not only for those bonds, those debentures, but we could have sold \$50,000,000 just as easily as we could have sold \$6,000,000. The demand was something tremendous in anything that Insull's name was attached to, particularly as he had announced that his whole personal fortune was in that common stock and in some second preferred that he took, everybody wanted to become a partner of Samuel Insull.

Senator WALCOTT. What was the date of the issue?

Mr. STUART. In January of 1929.

Senator REYNOLDS. Let me interrupt you there——

Mr. STUART (continuing). Just let me give you the general surroundings in order to let you see that this was something we did not expect, and nobody else did. Those debentures sold in a very short time up to over 200 per cent, because of those common-stock warrants. Those common-stock warrants called for stock at \$15 a share. Now, as a matter of fact, the price at which those warrants were made, was the subject of discussion for weeks before it was put up, whether it should be 11, or 12, or 15, or 16, or what. Nobody knew what the stock would sell at. But there was nobody who was consulted in regard to this stock so far as I know who thought that the stock would sell at higher than \$20 a share in six months. And yet it sold at 30 the first day on the stock exchange.

Senator REYNOLDS. That was the common stock?

Mr. STUART. Yes, sir.

Senator REYNOLDS. I understood you to say a while ago it only sold for \$10 a share.

Mr. STUART. We took it at \$10 a share.

Senator REYNOLDS. But you sold it at \$30 a share?

Mr. STUART. No; we did not sell it at all.

Senator REYNOLDS. What about the \$30 a share for the stock?

Mr. STUART. Well, some stock that they had. And also don't forget that people could detach those warrants and convert them into stock, and that supplied stock to be sold, and that was what made the enormous call for it.

Senator BROOKHART. You also had 27,000 more shares on the debentures?

Mr. STUART. No, 30,000 shares. We figured 5 per cent on the debentures, and that was \$300,000, that we would have paid in cash. Instead of that we took the stock at \$10 a share, which gave us 30,000 shares.

Senator BROOKHART. And that stock went up to 149 at one time?

Mr. STUART. Yes, sir.

Senator WALCOTT. How many shares of common stock did Mr. Insull get?

Mr. STUART. I can not answer that.

Senator WALCOTT. How many were issued altogether? That would likely show.

Mr. STUART. Originally 1,014,000 shares.

Senator WALCOTT. Well now, those came out when the prior preference stock was issued, probably.

Mr. STUART. Yes; when the debentures came out.

Senator WALCOTT. So that Mr. Insull would have kept all of that except 27,000 shares, and then others were issued to cover the warrants later?

Mr. STUART. Yes. But there was some sale there, that has been referred to, but I am not clear on the details, of some 250,000 shares at 12.

Senator WALCOTT. That would have given Mr. Insull a profit at the top of the market, if he got his shares, of about \$150,000,000.

Mr. STUART. Yes, sir; but he did not have the shares. He had a very large paper profit, however.

Senator FLETCHER. You received from the second Insull company the entire amount that you paid for the debentures yourself, less

\$270,000. You sold them in one transaction. You paid cash, but you got that cash from the other company to which you delivered the debentures.

Mr. PECORA. It was not debentures but prior preferred stock that was handled in that way.

Mr. STUART. Yes.

Senator FLETCHER. You got that all back from the other company?

Mr. STUART. At 95½. They paid us 95½ for something that we paid par for. I want to make this clear: No one had any realization what this stock would sell at.

Senator REYNOLDS. Is this the prospectus that you used?

Mr. STUART. No; this is the prospectus that the Utility Securities Co. used on prior preferred stock.

Senator TOWNSEND. Do you class prior preferred stock as bonds?

Mr. STUART. No, sir. That is just stock.

Senator TOWNSEND. I understood you to say you did not deal in stock but only in bonds.

Mr. STUART. That is true. We just took those and passed them through our office to another dealer. We never distributed any stock.

Senator TOWNSEND. It was just an accommodation transaction?

Mr. STUART. Yes, sir.

Senator REYNOLDS. And you were paid for that accommodation?

Mr. STUART. In the sense that we were permitted to buy 27,000 shares at \$10 a share.

Senator REYNOLDS. I understood that Mr. Insull gave you 27,000 shares.

Mr. STUART. He gave us 27,000 shares, but we took a loss of \$270,000, and for that he gave us 27,000 shares.

Senator REYNOLDS. And that made it even as to that?

Mr. STUART. Yes, sir.

The CHAIRMAN. Now then, on those 27,000 shares I want to bring out the profit on the transaction as being the difference between what he took them for and what they went to. This seems to have been talked about as a loss, and the two transactions should go into the record, Mr. Pecora.

Mr. PECORA. All right. Mr. Stuart, the 27,000 shares that you have been referring to, you say your company disposed of eventually by turning them over to Corporation Securities Co. of Chicago, is that correct?

Mr. STUART. That is correct.

Mr. PECORA. Corporation Securities Co. of Chicago was another Insull investment trust, was it not?

Mr. STUART. Yes, sir.

Mr. PECORA. Which was organized in October of 1929, wasn't it?

Mr. STUART. Yes, sir; I believe so.

Mr. PECORA. About 10 months after the organization of Insull Utility Investments (Inc.)?

Mr. STUART. Yes, sir.

Mr. PECORA. And organized to do the same thing, the same kind of business, as Insull Utility Investments, wasn't it?

Mr. STUART. Yes; plus—well, it was organized primarily to maintain Mr. Insull's control of Insull Utility Investments (Inc.).

Mr. PECORA. And officers of Halsey, Stuart & Co. became executive officers of Corporation Securities Co. of Chicago from the very beginning of its existence.

Mr. STUART. Yes, sir.

Mr. PECORA. And the offices of Corporation Securities Co. of Chicago were the same offices as Halsey, Stuart & Co., were they not? That is, they were housed in the same building.

Mr. STUART. 201 South LaSalle Street, but they were not the same offices but were in the same building.

Mr. PECORA. In the same building.

Mr. STUART. Yes, sir.

Mr. PECORA. The building of Halsey, Stuart & Co. in Chicago.

Mr. STUART. In the Rookery Building.

Mr. PECORA. Now then, when your company transferred those 27,000 shares of common stock of Insull Utility Investments (Inc.), to Corporation Securities Co. of Chicago, at what figure were they so transferred, at what price?

Mr. STUART. Mr. McNeill will have the details——

Mr. PECORA (interposing). Don't you recall the price at which they were taken over by Corporation Securities Co. of Chicago?

Mr. STUART. They were taken over at just what the shares cost us.

Mr. PECORA. Weren't they taken over at \$100 par value?

Mr. STUART. In cash.

Mr. PECORA. Weren't they taken over at a valuation of \$100?

Mr. STUART. At market value.

Mr. PECORA. At a valuation of \$100, whether market value or not?

Mr. STUART. That is correct.

Mr. PECORA. Those shares that were given to you at an apportioned value of \$10 a share at the outset, were thereafter transferred by your company to another Insull company, of which the officers of your company were the executive officers, at a valuation of \$100 per share; is that correct, Mr. Stuart?

Mr. STUART. The market value was 100. But won't you let me say something, because this does not sound right if left in that way.

Mr. PECORA. Well, we let you say many things, but I just want to question you about this first.

Mr. STUART. I should like to reply to that.

Mr. PECORA. Is that a correct statement? The statement embodied in my question is correct, is it not?

Mr. STUART. I think the statement is correct, but the inference to be drawn from it is not correct.

Mr. PECORA. The inference that you would draw might be different from the inference some one else would draw, do you mean?

Mr. STUART. Won't you let me——

Mr. PECORA [interposing]. I don't think we ought to stop here and discuss inferences with the witness, Mr. Chairman. Let us get the facts on the record.

Mr. STUART. Well, I should like to explain that.

Mr. PECORA. At the time of the organization of Insull Utility Investments (Inc.), which took place in December of 1928, there was another angle to the financial set-up of that company in which Halsey, Stuart & Co. participated, and that has reference to your company acquiring at the outset \$6,000,000 at par of those debenture notes, is that correct?

Mr. STUART. Yes, sir.

Mr. PECORA. Now, those debentures had warrants attached to them, did they not?

Mr. STUART. Yes.

Mr. PECORA. And what rights were conferred by those warrants upon the holders?

Mr. STUART. May I see that prospectus, Senator?

Senator REYNOLDS. Certainly.

Mr. STUART. The same as on the prior preferred.

Mr. PECORA. That is, to buy five shares of common stock at \$15 a share for each \$100 of par value of debentures, is that correct?

Mr. STUART. Yes.

Mr. PECORA. Now, when your company purchased those \$6,000,000 face value of debenture notes, it thereby acquired the right to buy 300,000 shares of common stock of Insull Utility Investments (Inc.) at \$15 a share, is that correct?

Mr. STUART. Yes, sir.

Mr. PECORA. Were those rights exercised by your company?

Mr. STUART. The rights—just one second. \$4,000,000 of them were sold to the public.

Mr. PECORA. No; that is not my question. Were those rights to buy 300,000 shares of common stock of Insull Utility Investments (Inc.) at \$15 per share exercised by you?

Mr. STUART. No; they were not.

Mr. PECORA. Did you sell the rights?

Mr. STUART. We sold \$4,000,000 of debentures and kept \$2,000,000 of them.

Mr. PECORA. Did you sell the rights that you kept?

Mr. STUART. We did.

Mr. PECORA. Did you sell the \$4,000,000 of debentures ex warrants or with warrants?

Mr. STUART. With warrants.

Mr. PECORA. Are you sure of that?

Mr. STUART. Yes, sir.

Mr. PECORA. Now when did your company exercise the rights attaching to the \$2,000,000 worth of debenture notes that you kept and did not sell to the public? If you can not answer that now, we will come back to it later, Mr. Stuart.

Well now, just answer the question, Mr. Stuart, and do not give us a statement that you have just referred to in a desire to give the whole picture. We will get the whole picture question by question.

Can you not answer the question, Mr. Stuart?

Mr. STUART. You are asking me the time, and I am looking it up. May I hear that question once more?

(Thereupon the question referred to was read to the witness, as follows:)

Now when did your company exercise the rights attaching to the \$2,000,000 worth of debenture notes that you kept and did not sell to the public?

Mr. STUART. I will have to look it up and tell you. I can not tell you.

Mr. PECORA. Well, now, the \$4,000,000 par value of those debenture notes that your company sold to the public were sold at a premium, were they not?

Mr. STUART. They were sold at par.

Mr. PECORA. All sold at par?

Mr. STUART. Yes, sir.

Mr. PECORA. Are you sure of that?

Mr. STUART. Yes, sir.

Mr. PECORA. How long after your company acquired those debentures did it sell at par to the public?

Mr. STUART. Oh, at once.

Mr. PECORA. At once?

Mr. STUART. Yes, sir.

Mr. PECORA. That is, you had a market ready for them at the time you acquired them, did you?

Mr. STUART. Well, within a day or two of it.

Mr. PECORA. Now what was the profit to your company from that transaction?

Mr. STUART. Only the 30,000 shares of common stock which we bought at 10.

Mr. PECORA. Did you buy it at 10 or was it allocated to you at the valuation of 10, which was given to you without any consideration?

Mr. STUART. That is right; it was allocated at 10.

Mr. PECORA. Now, did your company look into that transaction in order to get a profit represented by the 30,000 shares of the common stock allocated to you at \$10?

Mr. STUART. Yes, sir.

Mr. PECORA. That is all it expected to make out of this 2 or 3-day transaction?

Mr. STUART. That is right.

Mr. PECORA. Now, did your company dispose of those 30,000 shares of the common stock?

Mr. STUART. Ultimately, in the same way as the 27,000 shares.

Mr. PECORA. That is, you transferred those shares to the Corporation Securities Co. of Chicago shares at \$100?

Mr. STUART. At the market, yes.

Mr. PECORA. And it was then the market value, was it?

Mr. STUART. Yes, sir.

Mr. PECORA. That \$100 was then the market value of this common stock?

Mr. STUART. Yes, sir.

Mr. PECORA. That you took over at 10?

Mr. STUART. Yes, sir.

Mr. PECORA. That would be \$3,000,000 valuation at the market at the time you transferred it to the Corporation Securities Co. of Chicago?

Mr. STUART. Yes, sir.

Mr. PECORA. The \$2,700,000 valuation at the market when you transferred the other 27,000 shares?

Mr. STUART. Yes, sir.

Mr. PECORA. And that was the consideration, commission, bonus, or call it whatever you please, that your company got from this Insull company for the 2 or 3 day participation in the financial set-up of the company at its outset?

Mr. STUART. No; we got the 57,000 shares which were allocated at \$10. That was the value to us. We decided not to sell that stock. It ultimately became worth, at the highest point, nearly \$150 a share.

It is not fair to say that such a fund represents our compensation. Our total compensation, so far as this transaction was concerned, was 57,000 shares of stock allocated to us at \$10 a share, which was all we were willing to pay for it.

Mr. PECORA. You do not mean to say that you actually paid anything for it in dollars and cents, do you?

Mr. STUART. Oh, yes.

Mr. PECORA. Well, the only thing you paid for it in dollars and cents was the difference for the \$6,000,000 valuation in price at which you took over 60,000 shares of the preferred stock, and the reselling of that same stock within a day or two thereafter——

Mr. STUART (interposing). No; the 6,000,000 debentures.

Mr. PECORA. The 6,000,000 debentures you sold, then, within two or three days, to the public at par?

Mr. STUART. Yes, sir.

Mr. PECORA. And you took no loss on those?

Mr. STUART. No, sir.

Mr. PECORA. And the \$2,000,000 of debentures which remained in your company were sold eventually in what fashion and to whom?

Mr. STUART. Eventually the warrants were detached.

Mr. PECORA. You mean those warrants——

Mr. STUART (interposing). On the 2,000,000.

Mr. PECORA. You mean warrants which represented rights to buy five shares for every one of the stock at \$15 a share; is that right?

Mr. STUART. Yes, sir.

Mr. PECORA. So that beyond the right to buy 100,000 shares of the common stock at \$15 a share, that is all?

Mr. STUART. Yes, sir.

Mr. PECORA. When did you turn those \$2,000,000 of debentures back?

Mr. STUART. I would have to look that up.

Mr. PECORA. Well, about when?

Mr. STUART. In the fall of 1929.

Mr. PECORA. Was it not in June, 1929?

Mr. STUART. I had better look it up to be sure.

Mr. PECORA. Well, it was some time in 1929?

Mr. STUART. It was some time in 1929.

Mr. PECORA. Before the incorporation of the Corporation Securities Co. of Chicago?

Mr. STUART. Yes, sir.

Mr. PECORA. Now, at the time you turned those \$2,000,000 of debentures back to the other Insull company, you kept those rights?

Mr. STUART. Yes, sir.

Mr. PECORA. What was the market price of the common stock of the Insull Utility Investments (Inc.) at the time you turned back those \$2,000,000 of debentures?

Mr. STUART. Well, I don't have the——

Mr. PECORA. Well, it was around 100, was it not?

Mr. STUART. I do not know.

Mr. PECORA. It was much more than \$10, was it not?

Mr. STUART. It was much more than \$10.

Mr. PECORA. It was at least \$50 a share, was it not?

Mr. STUART. It was an amount which realized a total profit of about \$2,000,000, which we voluntarily gave the Insull Utility Investments (Inc.) about one-third of it.

Mr. PECORA. Well, you say you voluntarily gave that corporation one-third of \$2,000,000?

Mr. STUART. Yes, sir.

Mr. PECORA. As a gift?

Mr. STUART. Yes, sir.

Mr. PECORA. What was the Insull Utility Investments (Inc.) doing, standing on a corner with a tin cup and you dropped in \$666,000 into it for it?

Mr. STUART. No; but as I have already tried to explain, that the price of the stock went so high, and so fast, away beyond anybody's dream, or the thought of anybody that it would do, that we decided that we would keep 2,000,000 of debentures, and we thought we should give it back—

Mr. PECORA (interposing). You were conscience-stricken and you decided to give it back?

Mr. STUART. We thought the company should have it back.

Senator REYNOLDS. You were a member of the finance committee of the Insull Utility Investments (Inc.)?

Mr. STUART. Yes, sir.

Senator REYNOLDS. And also a director of the Insull company?

Mr. STUART. Yes, sir.

Senator REYNOLDS. So when you handed that money back to the Insull company you were really taking the money out of your right-hand pocket and putting it into your left-hand pocket?

Mr. STUART. No.

Senator REYNOLDS. Why, you had a large interest in that company?

Mr. STUART. Yes, sir.

Senator REYNOLDS. You were interested in the company as a director, and financially interested. If you had not been financially interested, do you think you would have turned that money back to them?

Mr. STUART. Yes; we might have under those circumstances.

Senator REYNOLDS. You might have, but would you have?

Mr. STUART. Yes; we would, because we wanted to in this case.

Senator REYNOLDS. You were greatly interested in the Insull company?

Mr. STUART. Yes, sir.

Senator REYNOLDS. Financially interested?

Mr. STUART. Financially interested.

Senator REYNOLDS. You were going to get your pro rata share of the profits?

Mr. STUART. We were interested; yes.

Senator REYNOLDS. Isn't that a fact, you were?

Mr. STUART. Yes, sir.

Senator REYNOLDS. And then you were transferring that money from one of your pockets to the other?

Mr. STUART. I would not say that.

Senator REYNOLDS. Would you not say that was really the case?

Mr. STUART. No.

Senator REYNOLDS. Did you not get a part of that money?

Mr. STUART. Only what little came back to us as a relatively small stockholder.

Senator REYNOLDS. But you were a stockholder?

Mr. STUART. Yes, sir. But a comparatively small stockholder.

Senator REYNOLDS. And you knew that some of that money would come back?

Mr. STUART. Yes.

The CHAIRMAN. Why did you not give it back to the public who had overpaid?

Mr. STUART. Senator, we did not act for everybody. We were buying.

The CHAIRMAN. They were misled by the circulars of the company of which you were a director.

Mr. STUART. Well, I did not know that the public wanted the stock so badly, they paid a big price for it.

Senator REYNOLDS. Did you sell any of that stock to your company, the company of which you are president?

Mr. STUART. No; we sold no stock.

Senator REYNOLDS. You sold debentures?

Mr. STUART. Yes, sir.

Senator REYNOLDS. Have you one of the prospectuses of that?

Mr. STUART. Of the debentures?

Senator REYNOLDS. Yes.

Mr. STUART. Yes.

Senator REYNOLDS. May I see one of the prospectuses?

Mr. STUART. Yes, sir.

Mr. PECORA. Is this one of them, Mr. Stuart (handing paper to the witness)?

Mr. STUART. Yes; this is one of them.

Senator WALCOTT. Mr. Stuart, what were the approximate earnings on these shares of common stock; do you remember?

Mr. STUART. No; I do not remember what it was.

Senator WALCOTT. Well, it would be the earnings of all the Insull securities after paying fixed charges?

Mr. STUART. Yes; all of the surplus earnings of the company.

Senator WALCOTT. You do not remember what that was?

Mr. STUART. No, sir.

Senator WALCOTT. Do you remember what it was at any time?

Mr. STUART. No; there were no earnings given in this original statement.

Mr. PECORA. Now, Mr. Stuart, in February, 1929, was your company interested only in the 57,000 shares of common stock of the Insull Utility Investments (Inc.) that you have told us you got from Insull for your participation in the financial setup of the company?

Mr. STUART. No; we bought 43,000 shares at 12.

Mr. PECORA. From whom?

Mr. STUART. Well, from either the Insull family or the company.

Mr. PECORA. When?

Mr. STUART. I should say in January, 1929.

Mr. PECORA. Well, did you not buy that under an option? I will withdraw that. Are those the 43,000 shares that Samuel Insull individually permitted you to subscribe for at \$12 a share out of a total allotment of 250,000 shares?

Mr. STUART. That is my recollection.

Mr. PECORA. That the company had given to Samuel Insull the right to buy at \$12 a share?

Mr. STUART. That is my recollection.

Mr. PECORA. Now, when you subscribed for those 43,000 shares at \$12 a share were you under any agreement with Mr. Insull not to dispose of those shares for a substantial period of time?

Mr. STUART. I think there was, yes; but I do not remember.

Mr. PECORA. Well, now, you answered that question after a consultation with some other gentleman.

Mr. STUART. Mr. McNeille; yes, sir.

Mr. PECORA. And Mr. McNeille is an officer of the Insull Utility Investments (Inc.)?

Mr. STUART. Yes, sir.

Mr. PECORA. His full name is what?

Mr. STUART. Clarence T. McNeille.

Mr. PECORA. And this Mr. McNeille with whom you just consulted before answering the question, was the president of the Corporation Securities Co. of Chicago when it was organized in October, 1929, was he not?

Mr. STUART. No; I think he was secretary.

Mr. PECORA. Secretary?

Mr. STUART. Yes, sir.

Mr. PECORA. Now, did you have to consult with Mr. McNeille before you were able to answer the question as to whether or not Mr. Insull put you under any agreement or understanding not to sell those 43,000 shares?

Mr. STUART. I could not remember. I thought he could remember. You see, this is four years ago.

Mr. PECORA. Now, did your company have any interest in other shares of the Insull Utility Investments (Inc.) in February of 1929?

Mr. STUART. I can not answer.

Mr. PECORA. Why can you not answer?

Mr. STUART. I do not know what we had in February, 1929.

Mr. PECORA. You were subpoenaed to produce certain documents and records from the files of your company at this hearing, were you not?

Mr. STUART. Yes, sir.

Mr. PECORA. Have you produced the records that the subpoena called for?

Mr. STUART. No, sir.

Mr. PECORA. Why not?

Mr. STUART. Because we were relieved from doing that, I thought.

Mr. PECORA. Well, you were asked to bring in certain specific documents, were you not?

Mr. STUART. No, sir. No, sir; my subpoena reads—

Bring with you and deliver to the committee the books and records bearing upon transactions of the Corporation Securities Co. of Chicago, Insull Utility Investments (Inc.), and any other Insull subsidiaries.

Mr. PECORA. Have you produced any of the records called for in that subpoena?

Mr. STUART. I have not the records, because I thought we were not to bring any.

Mr. PECORA. Have you produced any records whatsoever?

Mr. STUART. I have no records; no, sir.

Mr. PECORA. Has Mr. McNeille, to your knowledge, produced any records from the files of Halsey, Stuart & Co., in answer to the subpoena?

Mr. STUART. I think Mr. McNeille has any records that Mr. Stewart wanted him to get.

Mr. PECORA. Now, will you see if you can produce a letter addressed to Utility Securities Co., by Halsey, Stuart & Co., under date of February 7, 1929?

Mr. McNEILLE. Mr. Pecora, I have two files, and it may help us—I think, Mr. Tyler, you have numbered those letters. If you can give me the number I could get it very quickly.

Mr. TYLER. No. 238-R.

Mr. McNEILLE. Is that in the Utility Investments file?

Mr. TYLER. That is written to the Utility Co.

Mr. McNEILLE. And the number is what?

Mr. TYLER. 238-R.

Senator REYNOLDS. Mr. Stuart, while they are looking that up, I want to ask you a question. That prospectus or circular was put out by your company, was it not?

Mr. STUART. Yes, sir.

Senator REYNOLDS. Who wrote that circular?

Mr. STUART. Well, it was written by some one in our office, I suppose.

Senator REYNOLDS. Have you read it?

Mr. STUART. Oh, yes; undoubtedly.

Senator REYNOLDS. Was this distributed to the public? It was distributed to the public, was it not?

Mr. STUART. Yes, sir.

Senator REYNOLDS. Over the signature, as it were, of your company?

Mr. STUART. Yes, sir.

Senator REYNOLDS. And for the express and only purpose of making sale of these securities to the public?

Mr. STUART. Yes, sir.

Senator REYNOLDS. I will ask you to state to this committee if anywhere in that prospectus there is a statement to the effect that your company was deriving 57,000 shares of common stock?

Mr. STUART. No; there would not be.

Senator REYNOLDS. You did not advise them as to anything that had transpired between you and Mr. Insull?

Mr. STUART. No, sir.

Senator REYNOLDS. All right. There was a Mr. Stuart connected with the University of Chicago. What Stuart was that?

Mr. STUART. That is nobody I know.

Senator REYNOLDS. That is nobody you know?

Mr. STUART. I do not think so.

Senator REYNOLDS. Now, there was a man who worked for the University of Chicago as a professor, or something, who used to talk over the radio. You did not know some man who talked over the radio, by the name of "Old Counsellor?"

Mr. STUART. Yes, sir.

Senator REYNOLDS. I tried to get the name. Do you know anything about that gentleman?

Mr. STUART. Yes, sir.

Senator REYNOLDS. Yes. Who employed that gentleman?

Mr. STUART. We employed him.

Senator REYNOLDS. Who gave him the name of "Old Counsellor"? Who gave him that name?

Mr. STUART. I think it was originally selected by the National Broadcasting Co.

Senator REYNOLDS. Who selected that name?

Mr. STUART. I think they did. It was the original plan.

Senator REYNOLDS. They selected the name of "Old Counsellor"?

Mr. STUART. Yes, sir.

Senator REYNOLDS. Do you know why they selected the name of "Old Counsellor"?

Mr. STUART. Yes. I think that Mr. Aylesworth, president of the National Broadcasting Co., had been looking around for some time to get somebody to sponsor a financial program——

Senator REYNOLDS (interposing). To sell your securities?

Mr. STUART. Well, he wanted to get a bank or an insurance company, or some financial institution to give some financial program.

Senator REYNOLDS. To sell securities?

Mr. STUART. No; I would not say that.

Senator REYNOLDS. Well, who paid the "Old Counsellor"?

Mr. STUART. Well, just let me finish. So they decided that they wanted an investment broker, or some well-known investment house, and they had the idea that this program should be fathered by some one called "Old Counsellor."

Senator REYNOLDS. The "Old Counsellor"?

Mr. STUART. We agreed to that, but under our agreement we agreed never to mention the name of a bond or security over the radio, or the price. So there were never any bonds sold over the radio, or any attempt made to sell bonds.

Senator REYNOLDS. Well, was there any mention made by this "old gentleman with the mellow voice" as to your company?

Mr. STUART. Oh, yes; we sponsored his programs.

Senator REYNOLDS. Of course. And every time the "Old Counsellor" talked to the old folks by the fireside, he mentioned the name of your company?

Mr. STUART. I presume he did.

Senator REYNOLDS. You presume he did?

Mr. STUART. Yes, sir.

Senator REYNOLDS. And you paid him?

Mr. STUART. Yes, sir.

Senator REYNOLDS. And you did that for the purpose of selling these Insull securities?

Mr. STUART. Oh, no; I beg your pardon.

Senator REYNOLDS. At the time you issued this prospectus had you, as president of that company, made a thorough investigation as to the actual physical holdings of the Insull company?

Mr. STUART. Oh, yes; we went into it fully.

Senator REYNOLDS. And you knew that these securities were worth dollar for dollar?

Mr. STUART. We knew that the assets behind them were worth a great deal more than the gold debentures.

Senator REYNOLDS. Well, would the Insull company pay to the investors for the assets now a great deal more?

Mr. STUART. Then they were——

Senator REYNOLDS (interposing). I mean now.

Mr. STUART. At the present time they are worth very little.

Senator REYNOLDS. How much?

Mr. STUART. Practically nothing.

Senator REYNOLDS. We would like to know.

Mr. STUART. Practically nothing.

Senator REYNOLDS. Thank you.

Senator FLETCHER. Now, those 43,000 shares that you got, Mr. Stuart, did you sell those to the public?

Mr. STUART. No; we sold those afterwards to the Corporation Securities Co. of Chicago.

Senator FLETCHER. To the Corporation Securities Co. of Chicago?

Mr. STUART. Yes, sir.

Senator FLETCHER. Well, you got them as an investment, rather than for sale?

Mr. STUART. Yes; we never sold any of the stock we acquired, except to the Corporation Securities Co. of Chicago.

Mr. PECORA. Now, when you sold those 43,000 shares which you acquired at \$12 a share to the Corporation Securities Co. of Chicago, they were transferred at the then market of approximately \$100 a share?

Mr. STUART. Yes, sir.

Mr. PECORA. Making a profit of \$88 a share on them?

Mr. STUART. No, sir.

Mr. PECORA. Well, the difference between \$100 a share and \$12 a share is \$88 a share?

Mr. STUART. I ask you to let me explain.

Mr. PECORA. Mr. Stuart, is there anything wrong with the mathematical calculation which reaches the conclusion that taking \$12 a share from \$100 a share makes a difference of \$88 a share?

Mr. STUART. Yes; but it was not that. We took common stock. We did not take cash.

Mr. PECORA. Did you consider, in taking that common stock of the Corporation Securities Co. of Chicago that you were getting bilked?

Mr. STUART. No; but it was common stock, a sale for common stock.

Mr. PECORA. And at the time you sold it it was \$100 a share?

Mr. STUART. It was selling \$100 a share.

Senator REYNOLDS. Who got all this money?

Mr. STUART. What money?

Senator REYNOLDS. All this money you collected from the public.

Mr. STUART. Who got it? We took stock for it, as I just explained.

Senator REYNOLDS. Who got all the money that these investors paid in? Where is the money?

Mr. STUART. I do not think I know what you mean by the public.

Mr. PECORA. On the debentures.

Senator REYNOLDS. The debentures. Where is it?

Mr. STUART. Technically, Senator——

Senator REYNOLDS. How much is in the company?

Senator BROOKHART. Some of it is in Greece.

Senator REYNOLDS. How much is in the treasury?

Mr. STUART. It is bankrupt.

Senator REYNOLDS. I know, but where did the money go to?

Mr. STUART. It went into the company and was invested in securities.

Mr. PECORA. The Insull securities?

Mr. STUART. Yes, sir.

The CHAIRMAN. As the "Old Counsellor" recommended.

Senator REYNOLDS. I want to know whether there were a large number of the public invested in it.

Mr. STUART. A large number?

Senator REYNOLDS. Five hundred thousand? That is not many in buying securities, is it?

Mr. STUART. Yes, sir.

Senator REYNOLDS. Who got that money?

Mr. STUART. It was like any other securities that were sold. The money went into the treasury.

Senator REYNOLDS. All right. Who has hold of the treasury now?

Mr. STUART. I do not know.

Senator REYNOLDS. You are a director?

Mr. STUART. Yes; but the company is in bankruptcy.

Senator REYNOLDS. What became of the money that came in from the sale of securities?

Mr. STUART. It was all invested.

Senator REYNOLDS. What securities?

Mr. STUART. Mostly securities of Insull companies.

Senator REYNOLDS. All right. Those who bought the stock, where is that money?

Mr. STUART. Depreciation, that is the answer to it.

Mr. PECORA. Mr. Stuart, when were those radio talks initiated by your company?

Mr. STUART. I think in the spring of 1928.

Mr. PECORA. And they were delivered weekly?

Mr. STUART. Delivered weekly.

Mr. PECORA. To the accompaniment of music?

Mr. STUART. Yes, sir.

Mr. STUART. Yes, sir.

Mr. PECORA. And how long did they continue?

Mr. STUART. Until June or July of 1932.

Mr. PECORA. And do you recall who made the first talk upon the initiation of the radio program policy of your company back in 1928?

Mr. STUART. Yes, sir.

Mr. PECORA. Who?

Mr. STUART. Representative McFadden.

Mr. PECORA. Congressman Louis T. McFadden, of Pennsylvania?

Mr. STUART. Yes, sir.

Mr. PECORA. Who asked him to do it?

Mr. STUART. I think the National Broadcasting Co. Perhaps I may have asked him. I do not remember.

Mr. PECORA. Well, the National Broadcasting Co. would not pick out your introducer, would it?

Mr. STUART. Oh, they might.

Mr. PECORA. Well, as a matter of fact, did not you ask Congressman McFadden to do it?

Mr. STUART. I may have done so.

Mr. PECORA. Congressman McFadden at that time was a member of the Banking Committee of the House, was he not?

Mr. STUART. Yes, sir.

Mr. PECORA. And known as such throughout the country?

Mr. STUART. Yes, sir.

Mr. PECORA. Who wrote the speech that Congressman McFadden delivered upon the initiation of this policy?

Mr. STUART. He wrote it himself.

Mr. PECORA. What is that?

Mr. STUART. So far as I know, he wrote it himself.

Mr. PECORA. I am reminded that Congressman McFadden at that time was the chairman of the House Banking Committee; is that so?

Mr. STUART. I think it says so.

Mr. PECORA. Now, I show you this printed pamphlet entitled "The Purpose of the Halsey, Stuart & Co. Radio Programs, a Reprint of the Talk by Congressman Louis T. McFadden of Pennsylvania, who, as Guest Speaker, Introduced the Halsey, Stuart & Co. radio program on April 5, 1928."

Do you recognize that as being the speech delivered by the Congressman on that occasion?

Mr. STUART. Yes, sir.

Mr. PECORA. May I read it into the record, Mr. Chairman? It is not so very long.

The CHAIRMAN. Yes.

Mr. PECORA. (Reading:)

THE PURPOSE OF THE HALSEY, STUART & CO. RADIO PROGRAMS BY CONGRESSMAN
LOUIS T. MCFADDEN OF PENNSYLVANIA

When I was asked to introduce this new Halsey, Stuart & Co., radio hour, I accepted very willingly. I did so because of my own deep personal interest in matters of banking and finance, but more particularly because of the need that I know exists so widely for a broader understanding of investment fundamentals to meet which is, I understand, the purpose of this interesting undertaking.

I have been connected with banks and banking now for 36 years; practically my first job was in a bank, first as office boy and then progressing through the various stages to the position of cashier, and finally to the presidency of a bank in my home community. It was that experience which guided me in shaping the now well-known details of the McFadden Banking Act. It was the same experience which brought home to me the urgent need that exists for more enlightened understanding of investment.

Never before in the world's history have so many people had a surplus above living requirements as in this fortunate country of ours during the past several years. Not only has there been a vast increase in wealth, but a widespread distribution of it.

And with the broader distribution of wealth, there has undoubtedly come a better understanding of how to use it, but yet much, I fear, still remains to be done along this line. The vast sums that find their way into fraudulent schemes every year is convincing evidence of that. The law, of course, has done much to protect credulous investors against what is the flagrantly, but that does not touch the broad field of honest investment in which the average man also needs to be guided.

So I think the house of Halsey, Stuart & Co., is doing a fine public service in employing this vast network of radio communication to broadcast the principles of sound investment to millions of listeners. It is really a unique undertaking in the history of finance. Never before, to my knowledge has the subject of investment been broadly discussed over the radio. People, to be sure, have read much editorial comment and theoretic discussion of the subject. This certainly is the first instance of practical knowledge and experience of a great investment house being made so directly available to the general public.

There are great social as well as economic potentialities in a sound investment viewpoint among the people of our Nation. Clearly there can be no economic progress unless people conserve some part of their earnings. If every one lived up to his income, manifestly there would be no surplus left either for his own protection or for financing the great undertakings which are a part of to-day's life. The will to save, despite its importance, is, however, only a part of the task. There must be knowledge of how to employ one's savings after they have been accumulated.

With both the will to save prevalent among our people, and the knowledge of how to make use of their savings, America will inevitably march forward in a material way even faster than in the prosperous years behind us. Nor will this progress be merely material. It is bound to be reflected also in social, yes, even in the spiritual standards of the people. Give our average citizen an invested surplus, be it only a small amount, perhaps employed in the ownership of his home or in the form of sound securities, and you have a better, more useful citizen. He is more stabilized, more interested in affairs of state and of business, less inclined to be carried away by spurious leaders and unsound doctrines. A nation of investors will inevitably lend balance to our thinking, our actions, and perhaps more than any single influence, will fortify and strengthen the foundation upon which our Government rests.

And so I venture to say, if this forward-looking venture of Halsey, Stuart & Co. contributes even in part toward the realization of any such accomplishment, vast good is bound to spring from it. I wish it well.

Senator BROOKHART. What is the date of that?

Mr. PECORA. April 5, 1928.

Senator BROOKHART. Louis has learned a great deal since that time.

Senator REYNOLDS. What did they pay men to make speeches like that?

Mr. STUART. Not a dollar.

Senator REYNOLDS. I mean your lecturers.

Mr. STUART. The "Old Counsellor"?

Senator REYNOLDS. The "Old Counsellor."

Mr. STUART. We paid him so much a week.

Senator REYNOLDS. Did you pay him in stock?

Mr. STUART. You want to be fair, do you not?

Mr. PECORA. Of course.

Mr. STUART. Do not create the impression that every security we sold is bad. Of the amount of securities we sold there was an extremely small part that were bad, so that we are proud of our record. Now this security that we sold, while 1 in 20 may have gone wrong, the other 19 were very good. So when you are riding me so much about the "Old Counsellor," you are giving the impression that we were selling securities that were bad only. We have sold some securities that turned out bad, that is true. So has every one else, but it is a very small proportion of what we have sold.

Mr. PECORA. Mr. Stuart, do you think it is sound of an investment house offering investments to the public to disclose to the investing public any and all things in connection with its issues and allied securities?

Mr. STUART. I think it should be done.

Mr. PECORA. You think it should be done?

Mr. STUART. Yes, sir.

Mr. PECORA. Was it done when your company put out the circular which has already been called to your attention and in which it offered the 5 per cent gold debenture bonds to the public in the Insull Utility Investments (Inc.)?

Mr. STUART. It was not done.

Mr. PECORA. It was not done?

Mr. STUART. It was not the custom in the profession to do it at that time.

Mr. PECORA. You mean it is not the custom to disclose it to the public—

Mr. STUART. It is not customary when offering securities of corporations or affiliates, and whether they—

Mr. PECORA (interposing). It was not then fair to the public?

Mr. STUART. Excuse me. I think it should be in the future.

Mr. PECORA. It was not done in the past?

Mr. STUART. No.

The CHAIRMAN. It may have to be done in the future.

Senator WALCOTT. I was going to say that the law in England prohibits this sort of thing.

Mr. PECORA. The British companies act is based upon full disclosure.

Senator WALCOTT. Yes.

Mr. PECORA. Now, Mr. Stuart, when your company put out this circular advertising debenture bonds of the Insull Utility Investments (Inc.), instead of consulting the public, it was concealing its own profit interests in the Insull Utility Investments (Inc.)?

Mr. STUART. No.

Mr. PECORA. It concealed it in not putting it out?

Mr. STUART. It was not the customary thing to do.

Mr. PECORA. The fact is, it was concealed?

Mr. STUART. We did not state it, that is true.

Mr. PECORA. Whether it was customary or not.

Mr. STUART. Yes, sir.

Senator REYNOLDS. And you did not state in that circular that you were a member of the finance committee and a director of the Insull Utility Investments (Inc.) at the time your company was endeavoring to make the sale to the public?

Mr. STUART. Yes; it is there as a director. At least as a director.

Senator REYNOLDS. A director?

Mr. STUART. Yes; I am not sure it says finance committee, but perhaps it does. I am on there as a director, on the prospectus.

Mr. PECORA. Now, Mr. Stuart, this transaction by which your company acquired the securities from the Insull Utility Investments (Inc.) all took place on January 17, did it not, of 1929?

Mr. STUART. Yes—just a moment, please.

Mr. PECORA. And that happens to be the date on which the trading in the common stock of the Insull Utility Investments (Inc.) took place on the Chicago Stock Exchange?

Mr. STUART. May I correct that and make it the 16th?

Mr. PECORA. The 16th of January?

Mr. STUART. Yes, please.

Mr. PECORA. Well, the 17th of January was the date on which the trading in these issues commenced on the Chicago Stock Exchange, was it not?

Mr. STUART. I do not know. I have not that information.

Mr. PECORA. Is there any way by which you can ascertain that, either by consultation with Mr. McNeille, or anybody else?

Mr. McNEILLE. I think that was brought out by Mr. Davis of the Chicago Stock Exchange.

Mr. PECORA. Yes. Mr. Stuart, you have attended all these sessions of the committee this week?

Mr. STUART. Yes, sir.

Mr. PECORA. And you have heard all the witnesses who have testified this week?

Mr. STUART. I have heard most of them.

Mr. PECORA. Yes. Now it is agreed that January 17, 1929, was the date on which the trading began on the Chicago Stock Exchange in the Insull Utility Investments (Inc.)?

Mr. STUART. Yes, sir.

Mr. PECORA. Do you know at what price the common stock of the Insull Utility Investments (Inc.) sold on the Chicago Stock Exchange on that opening day?

Mr. STUART. I do not know.

Mr. PECORA. Was it not \$30 a share?

Mr. STUART. I do not know.

Mr. PECORA. Have you not heard this week witnesses say that?

Mr. STUART. Yes; I have heard that.

The CHAIRMAN. The witness said it inadvertently this morning.

Mr. PECORA. And then you heard the witnesses testify that on the second day's trading in that stock the stock went up to \$40 a share?

Mr. STUART. I heard that yesterday. I heard Mr. Davis say it.

Mr. PECORA. Now when you took over the 43,000 shares of stock from Mr. Insull under the conditions you have described, in January, 1929, it was allocated to you because of discussions among you and you considered that was the fair and reasonable value of that stock?

Mr. STUART. Yes, sir.

Mr. PECORA. And the following day it opened at \$30 a share; is that right, on the public exchange?

Mr. STUART. Yes, sir.

Mr. PECORA. And the second day at \$40 a share?

Mr. STUART. Yes.

Mr. PECORA. It reached \$40 a share; is that correct?

Mr. STUART. I so understand.

Mr. PECORA. Well, then, did you consider that the public was being put in the position, by these quotations on the stock exchange, of paying three or four times what you thought that stock was worth?

Mr. STUART. Well, we did not have anything to do with that, you see. We did not sell any of the stock. We did not have anything to do with it.

Mr. PECORA. Are you sure you did not buy any of that stock in open trade?

Mr. STUART. No. We may have bought for the account of some customer.

Mr. PECORA. Then, if you bought stock of the Insull Utility Investments (Inc.) at \$40 and paid that for it, you bought stock which had been allocated to you the day before at \$10 a share, and which had been agreed upon as a fair and reasonable price in conferences between you and the Insulls?

Mr. STUART. Yes; that would be so.

Mr. PECORA. Did you advise your customer about buying that at that price, that it was three or four times what you had bought it for?

Mr. STUART. No; we would not buy any. The only way we would do it would be by some one asking us to buy it. We were not dealing in stock.

Mr. PECORA. Do you know how anybody not acquainted with it could have acquired a notion of the actual value of those common issues on the day they were issued to you and Insull?

Mr. STUART. Excepting the public's notion what it was worth.

Mr. PECORA. What did the public have before it on the 17th of January?

Mr. STUART. I should say all they had was a prospectus.

Mr. PECORA. That your company had put out?

Mr. STUART. Or the Utility Securities Co. (Inc.) had put out.

Mr. PECORA. Then that prospectus you have was worded in such a fashion as to cause the investing public to believe that the common stock was worth \$40 a share?

Mr. STUART. Apparently it did.

Mr. PECORA. Apparently it did?

Mr. STUART. Yes, sir.

Mr. PECORA. That was put out by the people who, after discussion, had come to the conclusion that it was worth \$10 a share?

Mr. STUART. The public did not agree with us. They thought it was worth much more.

Mr. PECORA. And you knew much more than the public, did you not?

Mr. STUART. We thought we did.

Mr. PECORA. You had greater facilities for knowing?

Mr. STUART. We thought \$10 a share was enough for this.

Mr. PECORA. And you were the organizers of this company?

Mr. STUART. Yes, sir.

Mr. PECORA. And were familiar with all its assets?

Mr. STUART. Yes, sir.

Senator BROOKHART. Does the circular say that it is worth \$10 a share?

Senator REYNOLDS. No.

Mr. PECORA. No; it does not show \$10 a share.

Senator WALCOTT. Mr. Chairman, does the prospectus give any earnings per share? That would be a guide. You do not recall what that was?

Mr. STUART. No.

Mr. PECORA. I ask that this circular relating to the Insull Utility Investments (Inc.), for the \$6,000,000, 5 per cent gold debentures, series A, be spread on the record.

The CHAIRMAN. Without objection, that will be done.

(The circular is printed in the record in full, as follows:)

EXHIBIT 7

New Issue—Insull Utility Investments (Inc.) \$6,000,000 5 per cent gold debentures, series A (with stock purchase warrants) dated January 1, 1929—due January 1, 1949.

INSULL UTILITY INVESTMENTS (INC.),
OFFICE OF THE PRESIDENT,
Chicago, January 16, 1929.

HALSEY, STUART & Co. (Inc.).

GENTLEMEN: In connection with your purchase of \$6,000,000 5 per cent gold debentures, series A, of Insull Utility Investments (Inc.), I take pleasure in giving you the following information:

BUSINESS

Insull Utility Investments (Inc.) has been organized under the laws of Illinois to carry on an investment business and to acquire, hold, sell, and underwrite securities of all kinds. The company, in consideration of the issuance of 40,000 shares of preferred stock and 764,000 shares of common stock and from the proceeds of the sale of these debentures and 60,000 shares of prior preferred stock, will acquire the entire capital stock of Insull, Son & Co. (Inc.), and among other securities, substantial blocks of common stock of Commonwealth Edison Co., The Peoples Gas Light & Coke Co., Middle West Utilities Co., and Public Service Co. of northern Illinois. The assets of the company, including its initial acquisitions of securities (valued at current market prices) and cash on hand and cash to be received prior to December 31, 1929, pursuant to contracts made, have an aggregate value of approximately \$27,000,000 as compared with the \$6,000,000 principal amount of debentures to be presently outstanding. The company will receive par and accrued interest in cash for this issue of its debentures and \$100 per share and accrued dividends in cash for this issue of its prior preferred stock.

Capitalization

[Upon completion of the present financing]

	Author- ized	To be out- standing
Funded debt: 5 per cent gold debentures, series A (this issue)-----		\$6,000,000
Capital stock:		
\$5.50 prior preferred (no par)-----shares--	250,000	60,000
Preferred (no par)-----do-----	250,000	140,000
Common (no par)-----do-----	2,300,000	1,014,200

¹ Annual dividends will be payable for the first year at \$2 per share, for the next year at \$3 per share, for the next year at \$4 per share, for the next year at \$5 per share, and thereafter at \$6 per share.

² Sufficient shares of common stock will be reserved against the exercise of warrants attached to the debentures and the prior preferred stock. The purchasers of the 40,000 shares of preferred stock have been given an option for 2 years to purchase 200,000 shares of common stock at \$15 per share.

³ The 1,014,200 shares of common stock will be issued in part payment for the assets constituting the initial acquisitions of the company, as above stated, and for \$3,000,000 in cash to be paid to the company before Dec. 31, 1929.

STOCK PURCHASE WARRANTS

Each debenture will have attached thereto a nondetachable warrant (exercisable as an entirety only) entitling the holder of the debenture, upon presentation thereof to the company for the detachment and cancellation of the warrant, to purchase common stock of the company as follows: Fifty shares at \$15 per share if purchased on or before June 30, 1929; or 40 shares at \$20 per share if purchased after June 30, 1929 and before January 1, 1930; or 30 shares at \$25 per share if purchased after December 31, 1929 and before July 1, 1930. The holders of the 60,000 original shares of prior preferred stock will also be given the right for each share held by them to purchase common stock as follows: Five shares at \$15 per share on or before June 30, 1929, or four shares at \$20 per share between June 30, 1929, and January 1, 1930, or three shares at \$25 per share between December 31, 1929, and July 1, 1930. Certificates covering stock purchased through the exercise of such warrants will be delivered to the purchaser 30 days after the date of purchase.

EARNINGS

The following is a statement of estimated annual net earnings applicable to interest charges on these debentures, based upon the present annual income from the securities to be acquired initially and in 1929 under contracts already made and the average annual net earnings of Insull, Son & Co. (Inc.);

Net income after deducting all expenses and taxes, \$1,053,000.

The annual interest requirements on the present issue of \$6,000,000 debentures will be \$300,000.

The above statement of earnings does not reflect any cash realization from stock rights on stocks to be included in the company's initial acquisitions. Based on existing market prices of such stocks it is estimated that these rights will have in the year 1929 a value of approximately \$1,015,000.

DEBENTURE PROVISIONS

The company will covenant in each debenture that so long as any of these debentures are outstanding, it will not mortgage or pledge any of its assets without securing the debentures equally and ratably with the other obligations secured or to be secured by such mortgage or pledge, except that the company, without so securing the debentures, may mortgage or pledge any of its assets for the purpose of securing loans in the usual course of business for periods not exceeding one year and may mortgage or pledge property hereafter acquired to secure the purchase price thereof in whole or in part. The company will further covenant that its capital stock of any class shall not be redeemed or purchased in whole or in part when such redemption or purchase will reduce the value of its assets to less than 150 per cent of its indebtedness then outstanding.

DESCRIPTION OF DEBENTURES

These debentures will be dated January 1, 1929, and will be due January 1, 1949. They will be noncallable prior to July 1, 1930. Thereafter, they will be redeemable as a whole or in part at any time upon 30 days' published notice at the following prices and accrued interest; to and including January 1, 1934, at 105; thereafter, to and including January 1, 1939, at 104; thereafter, to and including January 1, 1944, at 103; thereafter: To and including January 1, 1946, at 102; thereafter, to and including January 1, 1948, at 101; thereafter, to maturity at 100. Both principal and interest will be payable at the office or agency of the company in Chicago and New York. The interest will be payable semi-annually February 1 and August 1, in each year (except that the interest for the first seven months will be payable August 1, 1929, and the interest for the last five months will be payable at maturity) without deduction for Federal income taxes now or hereafter deductible at the source not in excess of 2 per cent. Halsey, Stuart & Co. (Inc.) will be appointed paying agent of the company for the making of such interest payments. The debentures will be in coupon form, in the denomination of \$1,000, and will be registerable as to principal only.

DIRECTORS AND OFFICERS

The following are the directors and officers of the company. The president and the two vice presidents of the company have agreed to serve the company for a period of two years without compensation.

Samuel Insull, president; Martin J. Insull, vice president; Samuel Insull, jr., vice president; P. J. McEnroe, secretary and treasurer; Walter S. Brewster, of Russell, Brewster & Co.; Britton I. Budd, president Public Service Co. of Northern Illinois; Edward J. Doyle, vice president Commonwealth Edison Co.; Louis A. Ferguson, vice president Commonwealth Edison Co.; John F. Gilchrist, vice president Commonwealth Edison Co.; John H. Gulick, vice president Commonwealth Edison Co.; George F. Mitchell, vice president The Peoples Gas Light & Coke Co.; Stuyvesant Peabody, president Peabody Coal Co.; Marshall E. Sampson, president Central Illinois Public Service Co.; H. L. Stuart, president Halsey, Stuart & Co. (Inc.); Waldo F. Tobey of Isham, Lincoln & Beale.

Very truly yours,

SAMUEL INSULL, *President.*

These debentures are offered for delivery when, as and if issued and accepted by us and subject to the approval of counsel. It is expected that temporary debentures will be ready for delivery by Halsey, Stuart & Co. (Inc.), on or about January 25, 1929. All statements herein are official or are based on information which we regard as reliable and while we do not guarantee them, we ourselves have relied upon them in the purchase of this security.

Chicago, Ill., January 16, 1929.

Circular No. 2409.

MR. PECORA. Your company prides itself on the claim of being the largest investment dealers in bonds in the country, does it not?

MR. STUART. We have never made such a statement.

THE CHAIRMAN. As a matter of fact, are you not the largest, or one of the largest?

MR. STUART. I could not say about the volume, Senator, other people do.

Mr. PECORA. Now, Mr. Stuart, the only holders of any of the stock of the Insull Utility Investments (Inc.) on January 17, 1929—that is the date?

Mr. STUART. Yes, sir.

Mr. PECORA (continuing). When trading opened on it on the stock exchange, was your company, you individually, and the Insull family group; is that not so?

Mr. STUART. I could not answer that. I could not answer.

Mr. PECORA. Well, you have heard that testified to by other witnesses here this morning, have you not?

Mr. STUART. I have heard something to that effect, but I know nothing about it. We took so much stock, subscribed for it, and that is the limit of our knowledge.

Mr. PECORA. Do you know who made the market for the common stock, of \$30 a share, on opening day?

Mr. STUART. I do not.

Mr. PECORA. How is the market usually made?

Mr. STUART. I presume by buyers and sellers.

Mr. PECORA. Buyers and sellers representing what class of persons?

Mr. STUART. Buyers and sellers trading through brokers, selling and buying through brokers.

Mr. PECORA. As a matter of fact, do you not know that the making of the market is done for a new issue by the persons who are promoters of the issue?

Mr. STUART. I am entirely unfamiliar with stock operations.

Mr. PECORA. You have been a member of the exchange for many years?

Mr. STUART. I have been a member of the exchange for 24 years and I have been on the floor two times in my life.

Mr. PECORA. You do not have to be on the floor to be familiar with their methods, do you?

Mr. STUART. We do not deal in stocks, and I individually do not deal in stocks, and never have.

Senator FLETCHER. Do you have any broker representing you?

Mr. STUART. Oh, no; if a customer asks us to buy anything for him, we might telephone to a half-dozen different brokers to buy it.

Senator FLETCHER. Mr. Stuart, did you, or your "Old Counsellor" ever advise the public that these stocks were going wild, and for the public to beware?

Mr. STUART. Frequently. If you will look at our radio programs you will see that he did talk, in talk after talk, in the great rises of 1928 and 1929, telling people that the stocks they bought were too high. He did that over and over again. But no one was paying any attention to that. Everybody wanted the stock. Bonds were away down, and stocks were away up. Nobody paid any attention to us.

Mr. PECORA. Mr. Stuart, did your company ever participate in any market operations in the stock of Insull Utility Investments (Inc.)?

Mr. STUART. Not that I recall; no, sir.

Mr. PECORA. But you might without your being able at the present time to recall it?

Mr. STUART. We might, yes. I can not say. But I do not recall it.

Mr. PECORA. Have you consulted any of the records of your office for the purpose of refreshing your recollection about that?

Mr. STUART. No, sir.

Mr. PECORA. Have you got that letter, Mr. MacNeille, of February 7, 1929, which I called for?

Mr. MACNEILLE. Yes, sir.

Mr. PECORA. Will you kindly produce it?

Mr. MACNEILLE. Yes, sir.

Mr. PECORA. Now, Mr. Stuart, Mr. MacNeille, of your company, has just handed me what appears to be a dupliatee original of a letter dated February 7, 1929, addressed by Halsey, Stuart & Co. to Utility Securities Co. Will you look at that letter? [Handing same to the witness.]

Mr. STUART. Yes, sir.

Mr. PECORA. Read it, to yourself.

While the witness is reading that letter, may I read into the record from a print of one of the "Old Counsellor's" radio talks on sound investments, given on May 10, 1928, entitled "How Should a Widow with \$10,000 Invest Her Money?"

The CHAIRMAN. You may read it.

Mr. PECORA. (Reading:)

I am a widow and have just received \$10,000 in insurance money. This represents my total resources. I know nothing about investments and I have already been besieged by people wanting me to put my money into various things—some promising a very large return. Can you tell me how to meet the problem of investing my money safely and getting a good return from it?

I just want to read that portion at this time.

Now, after reading that letter of February 7, 1929, Mr. Stuart, does that refresh your recollection that as early as February 7, 1929, or within about three weeks after the opening of the market on the Chicago Stock Exchange, the opening of trading rather, in the Insull Utility Investments (Inc.), your corporation entered into a stock-selling syndicate agreement with Utility Securities Co., which you described as another Insull company, with respect to the shares of the common stock of the Insull Utility Investments (Inc.)?

Mr. STUART. Yes; this letter says that we agreed to sell to Utility Securities for so much stock.

Mr. PECORA. How many shares?

Mr. STUART. Ninety-three thousand five hundred shares.

Mr. PECORA. Of the common stock of the Insull Utility Investments (Inc.)?

Mr. STUART. Yes, sir.

Mr. PECORA. Now, you said, in the early part of your examination, that the total number of shares that you and your company acquired upon the set-up of the Insull Utility Investments (Inc.) was something like 57,000 shares. Had your company, in the meanwhile, between January 16, 1929, and the date of this letter, February 7, 1929, acquired a number of shares equivalent to the difference between the 93,500 shares and the 57,000 shares?

Mr. STUART. No, sir; this stock was stock that was attached to the 2,000,000 debentures that I spoke of that we had not sold.

Mr. PECORA. Then you detached the warrants from those \$2,000,000 of debentures?

Mr. STUART. Yes, sir.

Mr. PECORA. That gave you the right to buy 150,000 shares of stock?

Mr. STUART. Yes, sir.

Mr. PECORA. And had you exercised those rights prior to February 7, 1929?

Mr. STUART. No; I do not think we had. We might have done so. I am not sure. But that is the arrangement on stock where we gave one-third of our profit.

Mr. PECORA. No; that transaction took place in the fall of 1929, did it not? You said some time between June and the fall of 1929.

Mr. STUART. It was all a part of the same transaction.

Mr. PECORA. Well, in this connection here your company, according to this letter of February 7, 1929, was entering into a marketing operation with another Insull company called Utility Securities Co., having for its purpose the selling in the market of 93,500 shares of the common stock of Insull Utility Investments (Inc.), was it not?

Mr. STUART. Yes; but so far as we were concerned, it was not a market operation. We agreed to sell Insull Utility Investments (Inc.) so much stock.

Mr. PECORA. At what price?

Mr. STUART. At not less than \$40 a share.

Mr. PECORA. Is that all that this letter means, that you were simply agreeing to sell it at not less than \$40 a share?

Mr. STUART. Yes, sir.

Mr. PECORA. Ninety-three thousand five hundred shares of this Insull Utility Investments (Inc.)?

Mr. STUART. Yes, sir.

Mr. PECORA. Have you read the letter in full?

Mr. STUART. Yes, sir.

Mr. PECORA. Now, let us see. The second paragraph of that letter reads as follows, does it not? (Reading:)

As compensation for your services in this matter you shall retain the selling price for all shares sold in excess of \$40 and up to \$42 per share and one-half of the selling price for all shares sold in excess of \$42 per share. The purchase price for all shares sold by you under this authority, less your commissions, shall be remitted to us as and when received by you.

Mr. STUART. Yes, sir.

Mr. PECORA. Well, did not the agreement embodied in this letter constitute something more than a mere arrangement under which your company was selling Utility Securities Co.'s 93,500 shares of the common stock of Insull Utility Investments (Inc.) at a price of not less than \$40 a share?

Mr. STUART. No, sir; I do not think so.

Mr. PECORA. Does it not constitute an arrangement under which the Utility Securities Co. is to sell those 93,500 shares in the market, and if it gets more than \$42 a share for it, it was to divide with your company equally all moneys received from those sales in excess of \$42 per share?

Mr. STUART. Yes; but that is simply arranged as to the price we were to receive for it. That is simply an arrangement in regard to price.

Mr. PECORA. Well, now, is it not a syndicate account—is not this letter based on a syndicate account whereby your company and the

Utility Securities Co. agreed to stage a market operation for 93,500 shares of the common stock of the Insull Utility Investments (Inc.)?

Mr. STUART. No, sir; I should say not, so far as we are concerned. It is simply a sale so far as we are concerned.

Mr. PECORA. You could have sold it in the market? There was an open and free market?

Mr. STUART. Yes; there was an open and free market, had we chose to sell it that way.

Mr. PECORA. You chose to sell it to another company controlled by the Insulls on terms differing from those prevailing in the free and open market; is that right?

Mr. STUART. Well, I do not know what the conditions of the open market were. We chose to sell this stock to this company on those terms.

Mr. PECORA. Well, the Utility Securities Co. was a subsidiary of the Insull Utility Investments (Inc.), was it not?

Mr. STUART. No, sir. My understanding of the Utility Securities Co. was that it was owned by a great many different Insull companies: The Commonwealth Edison; Peoples Gas; Middle West, and that Insull Utility Investments (Inc.) owned a portion of the stock of that company, but I never saw a list of the stockholders, so I do not know who owned it.

Mr. PECORA. You attended a meeting of the finance committee of the Insull Utility Investments (Inc.) which was held on June 17, 1929, according to the minute book of that finance committee, did you not?

Mr. STUART. Yes, sir.

Mr. PECORA. Will you turn to page 41 of that minute book, of the minutes of that meeting. Now, will you read the second paragraph on page 41.

Mr. STUART (reading):

The president then presented to the meeting an offer of the Utility Securities Co. to purchase 250,000 shares of the common stock of the company at \$40 per share, the stock to be paid for as follows: A million—

Mr. PECORA (interposing). No; you are not reading the paragraph I intended you should. I said the second one.

Mr. STUART (reading):

The president stated that he had entered into an agreement on behalf of the company, with Halsey, Stuart & Co., and that in his belief the net profits accruing therefrom to the company would be in the neighborhood of \$650,000.

Mr. PECORA. Now, you were present at the meeting of that finance committee at which that action was taken?

Mr. STUART. Yes, sir.

Mr. PECORA. Now, what was the action referred to by the president of the Insull Utility Investments (Inc.)?

Mr. STUART. The one I spoke of where I said we gave them back, as a voluntary arrangement, the sum of \$600,000 for \$700,000.

Mr. PECORA. Was that properly referred to as a joint account?

Mr. STUART. Yes, sir.

Mr. PECORA. Was this gift to that company a voluntary gift, as you call it, then?

Mr. STUART. Yes; we made a voluntary joint account.

Mr. PECORA. A voluntary joint account?

Mr. STUART. Yes, sir.

Mr. PECORA. What is the difference between a voluntary joint account and a voluntary gift?

Mr. STUART. Well, I do not know that there is any.

Mr. PECORA. Well, when you make a gift to one do you have a joint account with him?

Mr. STUART. Well, you might take a man into a piece of business and voluntarily go to him and take him in, in which you knew you were going to make money for him.

Mr. PECORA. Is that a joint account, or a gift?

Mr. STUART. It is a joint account, customarily so called.

Mr. PECORA. I offer in evidence and ask to have spread on the record in full the letter of February 7, 1929, which this witness has identified.

Senator FLETCHER (presiding). It may go into the record.

(The letter of February 7, 1929, is printed in the record in full, as follows:)

FEBRUARY 7, 1929.

UTILITY SECURITIES Co.,
Chicago, Ill.

GENTLEMEN: We hereby authorize you as our broker to sell for us at any time within 60 days from the date hereof, 93,500 shares of common stock of Insull Utility Investments (Inc.) at not less than \$40 per share. Of these shares we now have on hand 60,200, certificates for which we can deliver immediately, and the remaining 33,300 we will be in a position to deliver as soon as we receive from the company the certificates therefor. Please advise us whether you wish us to make request for these additional shares, the certificates for which will be delivered 30 days after making such request.

As compensation for your services in this matter you shall retain the selling price for all shares sold in excess of \$40 and up to \$42 per share, and one-half of the selling price for all shares sold in excess of \$42 per share. The purchase price for all shares sold by you under this authority, less your commissions, shall be remitted to us as and when received by you.

If the foregoing arrangement is satisfactory to you, please indorse a memorandum to that effect upon the inclosed duplicate of this letter and return the same to us.

HALSEY, STUART & Co.,
F. K. SHRADER,
Vice President.

The foregoing is satisfactory to us.

UTILITY SECURITIES Co.,
FRED H. SCHEEL,
Vice President.

Senator REYNOLDS. What was the name of the "Old Counsellor"? What was his name?

Mr. STUART. I ought to remember it. He is a professor of note at the University of Chicago.

Senator REYNOLDS. At the University of Chicago?

Mr. STUART. Yes, sir.

Senator REYNOLDS. How much did you pay him per week?

Mr. STUART. \$50 a week. I will probably think of it later. It was Nelson.

Senator REYNOLDS. Professor Nelson?

Mr. STUART. Yes, sir.

Senator REYNOLDS. Is he still at the university?

Mr. STUART. I think so. Of course, everything he delivered was written for him. He was simply the deliverer of it.

Senator REYNOLDS. Who wrote it?

Mr. STUART. It was written in our office.

Mr. PECORA. How much did Halsey, Stuart & Co. realize from the agreement embodied in this letter of February 7, 1929, to the Utility Securities Co.?

Mr. STUART. I have not the—let me see if I understand your question.

Mr. PECORA. How much did your company realize in the stock-selling agreement represented by that letter?

Mr. STUART. Do you mean the total proceeds, or those that came to us?

Mr. PECORA. Yes.

Mr. STUART. The total proceeds that came to us were, roughly, \$3,900,000.

Senator TOWNSEND. How much of that was profit?

Mr. STUART. And the gross profit on it was, roughly, \$2,450,000. I would prefer to submit a detailed statement, because as a part of that transaction we turned back to the company a lot of debentures at 85 which we had previously paid par for, so all of that came out of the profit. The net profit in the joint account, I should say, was about \$2,000,000.

Senator TOWNSEND. And of that you gave back one-third?

Mr. STUART. We gave back one-third; yes, sir.

Mr. PECORA. Mr. Stuart, will you be good enough to produce from the files of your company which you brought here, the letter addressed by Halsey, Stuart & Co. on February 26, 1931, to Miss Evaline McNeil. I think it is No. 17.

Mr. STUART. Which letter, please?

Mr. PECORA. Letter dated February 26, 1931, by Halsey, Stuart & Co. to Miss Evaline McNeil.

Mr. STUART. Yes; I have it.

Mr. PECORA. Will you let me have it?

I ask that this letter, or a copy thereof produced by the witness, be spread on the record. And I want to read to the witness the following excerpts therefrom. [Reading:]

DEAR MISS MCNEIL: At the request of Mr. E. J. Redden, we are writing to suggest several securities which we feel you would do well to purchase in exchange for your present holdings of United States Government obligations. Our reasons for feeling that such an exchange would be to your advantage are twofold.

While the Government obligations are, of course, the outstanding securities in the country as to their liquidity and safety, they are in such great demand by the larger institutions and banks which are required to keep a certain proportion of their funds invested in this manner that their market is artificially stimulated to a great extent.

We are inclosing a chart which we have drawn up with our recommendations, and you will notice a material increase in your annual income should you decide to accept our recommendations.

Now, among the recommendations that you made to this Miss McNeil, Mr. Stuart, was for her to sell her United States Government bonds and to invest part of the proceeds of the sale in debenture notes of the Corporation Securities Co. of Chicago; is that not correct?

Mr. STUART. May I see it? I have never seen it before.

Mr. PECORA. There it is. [Handing same to the witness.]

Well, Mr. Stuart, is it necessary for you to take all that time to assure yourself that your company recommended, in February, 1931, to Miss McNeil that she sell her Government bonds and purchase

with the money derived from the proceeds the bonds of the Corporation Securities Co. of Chicago?

Mr. STUART. Yes; that is what it says.

Mr. PECORA. That is what it says?

Mr. STUART. Yes, sir.

Mr. PECORA. And that is what your company did?

Mr. STUART. Yes, sir.

Mr. PECORA. And this woman bought \$1,000 worth, par value, of Corporation Securities Co. of Chicago bonds out of the proceeds of the sale of her Government bonds that she had previously owned; is that right?

Mr. STUART. Well, apparently she bought them, and some other things.

Mr. PECORA. Well, I mean, in part.

Mr. STUART. Yes; in part. Yes.

Mr. PECORA. Now, this Corporation Securities Co. of Chicago is the same company that was officered, in large part, by officers of Halsey, Stuart & Co., was it not?

Mr. STUART. It was at the very beginning; yes, sir.

Mr. Mr. PECORA. And it still is, in part, so officered?

Mr. STUART. We have directors; yes, sir.

Mr. PECORA. You did not tell Miss McNeil in this communication that your company had an interest, through stock ownership, in the Corporation Securities Co. of Chicago, did you?

Mr. STUART. No, sir; apparently not.

Mr. PECORA. And did you think it was sound advice to give this woman, to sell her Government bonds for debentures that to-day are worth practically nothing?

Mr. STUART. Well, you see, all these other securities are good. Corporation Securities Co. of Chicago is the one that is not good.

Mr. PECORA. The Corporation Securities Co. of Chicago which you advised her to buy from the proceeds of the sale of her Government bonds represented about 20 per cent?

Mr. STUART. Yes, sir.

Mr. PECORA. The other four-fifths was good, and that one-fifth was not good?

Mr. STUART. Yes, sir.

Mr. PECORA. And the one-fifth that was not good was the security issued by the Corporation Securities Co. of Chicago in which your company had a very extensive stock interest, and it was officered by officers of your company?

Mr. STUART. Yes, sir.

Mr. PECORA. At any time was Miss McNeil advised of the community of interest between your company and the Corporation Securities Co. of Chicago?

Mr. STUART. I would have to find out. I would not know. But there was no reason why she should not be told. It was common knowledge.

Mr. PECORA. It was common knowledge?

Mr. STUART. Oh, I think it was common knowledge.

Mr. PECORA. Was any prospectus of the securities of the Corporation Securities Co. of Chicago, or did Halsey, Stuart & Co. ever issue or put its name upon a prospectus that contained a statement in any

way, shape, or form that Halsey, Stuart & Co. had a large stock interest in the Corporation Securities Co. of Chicago?

Mr. STUART. I am not sure.

Mr. PECORA. Well, you know that no such thing was done, do you not?

Mr. STUART. Oh, no, sir; because in some of the prospectuses—

Mr. PECORA (interposing). I will ask you to produce a single prospectus put out by Halsey, Stuart & Co. covering issues of the Corporation Securities Co. of Chicago in which mention is made of the fact that Halsey, Stuart & Co. ever had a large stock interest, through ownership of the common stock, in Corporation Securities Co. of Chicago. Will you do that?

Mr. STUART. I will endeavor to find one.

Mr. PECORA. And if you find any such prospectuses let me have them, and we will put them in the record.

I ask that there be spread on the record the letters, or copies thereof, produced by the witness, from which I have already read certain excerpts, dated February 26, 1931, addressed to Miss Evaline McNeil, by Halsey, Stuart & Co.; and the chart, so-called, accompanying that letter.

And also this letter of March 6, 1931, also produced by the witness, addressed to Miss Evaline McNeil, advising her of the receipt of certain securities for safe keeping for her account.

Senator FLETCHER (presiding). Without objection, they may be put into the record.

(The letter of February 26, 1931; the chart accompanying same; and the letter of March 6, 1931, are here printed in the record in full, as follows:)

FEBRUARY 26, 1931.

MISS EVALINE MCNEIL,
4556 Woodlawn Avenue, Chicago, Ill.

DEAR MISS MCNEIL: At the request of Mr. E. J. Redden, we are writing to suggest several securities which we feel you would do well to purchase in exchange for your present holdings of the United States Government obligations. Our reasons for feeling that such an exchange would be to your advantage are twofold.

While the Government obligations are, of course, the outstanding securities in the country as to their liquidity and safety, they are in such great demand by the larger institutions and banks which are required to keep a certain proportion of their funds invested in this manner that their market is artificially stimulated to a great extent. This results, of course, in a comparatively low return which will accrue to the holder of these securities, and we feel that you can well take advantage of some of the present opportunities among the higher type of corporation bonds to increase both your yield to maturity and your annual income, at the same time preserving an extremely high degree of safety through the application of the principles of diversification.

While we do not know exactly what securities you hold at present, your brother John has given us some idea, and we have made our recommendations on the basis of \$5,000 par amount divided in two blocks, one of \$3,000 United States Liberty loan fourth 4½'s and \$2,000 first 3½'s. Such minor adjustments as are necessary to make our suggestions conform to your actual holdings can easily be made through Mr. Redden.

We are inclosing a chart which we have drawn up with our recommendations, and you will notice a material increase in your annual income should you decide to accept our recommendations. Mr. Redden has asked us to say that he will be glad to talk with you or your brother at any time, but that his primary consideration has been for the intrinsic safety of the obligation involved in each case. You will find descriptive circulars included in this folder and will understand that we make this offer strictly subject to prior sale and price change.

We are grateful for the opportunity of serving you in this way, and trust that we may have the privilege of a continued business relationship in the future.

Very truly yours,

Investment recommendations for Miss Evaline McNeil

Issue	Par amount	Rate	Maturity	Price	Principal amount	Annual income	Yield
SELL							
United States Liberty loan, fourth	\$3,000	<i>Per cent</i> 4½			\$3,095.70	\$127.50	<i>Per cent</i> 2.88
United States Liberty loan, first	2,000	3½			2,023.00	70.00	2.34
Total	5,000				5,118.70	197.50	
BUY							
Corporation Securities Co., serial notes	1,000	5	Sept. 1, 1932	\$97.13	971.30	50.00	7.00
Illinois Power & Light Corporation, first and refunding mortgage	1,000	5	Dec. 1, 1956	97.75	977.50	50.00	5.15
Michigan Gas & Electric Co., first mortgage	500	5	do	96.50	965.00	25.00	5.25
Monongahela Western Pennsylvania Public Service Co., first lien and refunding	1,000	5½	Feb. 1, 1953	100.00	1,000.00	55.00	5.50
Peabody Coal Co., first mortgage sinking fund	1,000	5	May 1, 1953	80.00	800.00	50.00	6.75
Virginia Public Service Co., first mortgage and refunding	1,000	5	Dec. 1, 1950	90.00	900.00	50.00	5.85
Total	5,500				5,136.50	280.00	

¹ Note error.

MARCH 6, 1931.

EVALINE MCNEIL,
4556 Woodlawn Avenue, Chicago, Ill.

DEAR MISS MCNEIL: To-day we have placed in safekeeping the following securities which you have purchased in trade as follows:

Sale TH96864, Peabody Coal 5's	\$797.22	
Sale TH96868, Monongahela Western Pennsylvania Public Service 5½'s	1,005.19	
Sale TH96867, Illinois Power & Light 5's	990.56	
Sale TH96865, Corporation Securities 5's	971.86	
Sale TH96869, Michigan Gas & Electric 5's	489.03	
Sale TH96866, Virginia Public Service 5's	913.06	
		\$5,166.92
Purchased TH12335, United States Liberty 4¼'s	1,036.32	
Purchased TH12336, United States Treasury 3½'s	3,050.54	
Purchased TH12337, United States Liberty fourth 4¼'s	1,052.78	
		5,139.64
Balance due us		27.28

There is a balance due of \$27.28 for which we shall be pleased to receive remittance.

Yours very truly,

Mr. PECORA. Now this Corporation Securities Co. of Chicago, that we have been talking about here was incorporated on October 5, 1929, was it not?

Mr. STUART. Yes, sir.

Mr. PECORA. And from its very outset your company acquired a very substantial interest, through the ownership of common stock, in that company?

Mr. STUART. Yes, sir.

Mr. PECORA. Did not your company make preliminary arrangements to dispose of the senior securities of the Corporation Securities Co. of Chicago, in advance of the actual incorporation of that company?

Mr. STUART. Well, we had nothing to do with the disposition of the securities or stocks of the Corporation Securities Co. of Chicago.

Mr. PECORA. I said of the senior securities, which means the bonds and the preferred stock.

Mr. STUART. The senior securities? No; we had nothing to do with the preferred stock.

Mr. PECORA. How about the bonds?

Mr. STUART. There were not any sold until about a year later, or something like.

Mr. PECORA. Now, let us see. Will you produce from the files of your company its daily bulletin bearing date September 20, 1929. The number of it is 1.

Mr. STUART. September 20?

Mr. PECORA. September 20, 1929, numbered 1.

Mr. STUART. Yes; I have it.

Mr. PECORA. May I have it, please. Now, this daily bulletin was issued to the salesmen and employees of your company, was it not?

Mr. STUART. Yes, sir.

Mr. PECORA. As a guidance to them in their efforts to sell to the investing public securities sponsored by your company; is that right?

Mr. STUART. And items of general information.

Mr. PECORA. And items of general information?

Mr. STUART. Yes, sir.

Mr. PECORA. Now at the time of the incorporation of the Corporation Securities Co. of Chicago, in October, 1929, there was merged in that company an older company which had been organized in 1919 by Halsey, Stuart & Co., called Corporation Securities Co., was there not?

Mr. STUART. Yes, sir.

Mr. PECORA. And this bulletin issued by your company on September 20, 1929, to your employees and salesmen related, in part, to the proposed incorporation of the Corporation Securities Co. of Chicago, did it not?

Mr. STUART. Yes, sir.

Mr. PECORA. I ask that this bulletin be spread in full on the record.

The CHAIRMAN. It is so ordered.

(The Daily Bulletin, dated September 20, 1929, is printed in the record in full, as follows:)

HALSEY, STUART & CO., DAILY BULLETIN

Chicago, Ill., September 20, 1929.

IMPORTANT NOTICE

The Corporation Securities Co. was organized by Halsey, Stuart & Co. in 1919 to buy, sell, and hold securities of all kinds, including shares of stock. The corporation has not been active for a number of years. All of the stock heretofore has been owned by Halsey, Stuart & Co. They recently agreed with the Insull interests to expand this corporation so that it becomes the holder of shares of stock in some of the Insull companies. In order to facilitate this enlargement and the plans in connection therewith, it became necessary to raise some new money, all of which is being done by the Corporation Securities Co. itself. Halsey, Stuart & Co. will continue to be stockholders. It is expected that any publicity will be limited to a simple announcement of the facts by the Corporation Securities Co.

Because of Halsey, Stuart & Co.'s ownership of stock in the corporation, there may be inquiries made of the various members of the organization and the only reply is that Halsey, Stuart & Co. have no part in the sale of the new securities as they do not deal in stocks of any kind. They understand that arrangements have been undertaken with private sources for all of the money to be raised at this time.

Plans are being worked on with a view to permitting at least some of the members of Halsey, Stuart & Co.'s organization to subscribe to a limited amount of the stock of the Corporation Securities Co., on the basis of permanent investment. Until these plans have been further developed, no inquiries concerning participation by members of Halsey, Stuart & Co.'s organization can be answered.

Mr. PECORA. Now let me read from this daily bulletin to you, Mr. Stuart, and then I will ask you some questions about it. [Reading:]

IMPORTANT NOTICE

The Corporation Securities Co. was organized by Halsey, Stuart & Co. in 1919 to buy, sell, and hold securities of all kinds, including shares of stock. The corporation has not been active for a number of years. All of the stock heretofore has been owned by Halsey, Stuart & Co. They recently agreed with the Insull interests to expand this corporation so that it becomes the holder of shares of stock in some of the Insull companies. In order to facilitate this enlargement and the plans in connection therewith, it became necessary to raise some new money, all of which is being done by the Corporation Securities Co. itself. Halsey, Stuart & Co. will continue to be stockholders. It is expected that any publicity will be limited to a simple announcement of the facts by the Corporation Securities Co.

Because of Halsey, Stuart & Co.'s ownership of stock in the corporation, there may be inquiries made of the various members of the organization and the only reply is that Halsey, Stuart & Co. have no part in the sale of the new securities as they do not deal in stocks of any kind.

Now, was that a correct statement of the facts?

Mr. STUART. Yes, sir.

Mr. PECORA. Let me read further from this bulletin. [Reading:]

They understand—

That is, Halsey, Stuart & Co., understand. [Continuing reading:]

that arrangements have been undertaken with private sources for all of the money to be raised at this time.

Is that a correct statement, Mr. Stuart?

Mr. STUART. I do not recall.

Mr. PECORA. You do not recall?

Mr. STUART. No; I do not recall.

Mr. PECORA. Did Halsey, Stuart & Co. have anything to do with the major finances of the Corporation Securities Co. of Chicago in October, 1929, when that company was organized?

Mr. STUART. No; only to exchange our securities—only to exchange our Insull securities for Corporation Securities Co. of Chicago.

Mr. PECORA. Well, that was the time that you exchanged these shares of Insull Utility Investments (Inc.), which your company had acquired early in that year, in January of that year at \$12 to \$15 a share, at \$100 a share, which was then the market?

Mr. STUART. Yes, sir.

Mr. PECORA. Now, upon the incorporation of the Corporation Securities Co. of Chicago in October, 1929, Halsey, Stuart & Co. acquired a considerable amount of its securities, did it not—securities to be issued?

Mr. STUART. Of its common stock; yes, sir.

Mr. PECORA. Of its common stock only?

Mr. STUART. Yes, sir.

Mr. PECORA. Now did it not acquire also its units?

Mr. STUART. No; I do not think so. I do not think so.

Mr. PECORA. Who were the officers of Halsey, Stuart & Co. that became officers of Corporation Securities Co. of Chicago upon the incorporation of the latter company?

Mr. STUART. I think myself; Mr. —

Mr. PECORA (interposing). What office did you hold?

Mr. STUART. President.

Mr. PECORA. You became president of the Corporation Securities Co. of Chicago?

Mr. STUART. Yes; I became president of the Corporation Securities Co. of Chicago.

Mr. PECORA. Is your brother, C. B. Stuart an officer of Halsey, Stuart & Co.?

Mr. STUART. Yes, sir.

Mr. PECORA. Did he become an officer of Corporation Securities Co. of Chicago?

Mr. STUART. I think he became vice president.

Mr. PECORA. How about Mr. C. T. MacNeille?

Mr. STUART. Mr. MacNeille is vice president of Halsey, Stuart & Co. I think he became secretary treasurer.

Mr. PECORA. How about Mr. T. V. Lamont?

Mr. STUART. Mr. Lamont was not an officer of ours, but he was connected with us.

Mr. PECORA. Now do you recall that on October 14, 1929, nine days after the formal incorporation of the company, at a meeting of the board of directors of the company that included yourself, a resolution was adopted providing, in part, as follows [reading]:

That the remainder of such units of stock to the number of 654,564 are hereby authorized to be sold by the officers of this corporation to such persons or corporations and at such prices, not less than \$75 per unit, as to said officers, or any of them, shall seem advisable; and allotment certificates representing such units so sold shall be issued by said depository and registered.

And so forth.

Do you recall such action?

Mr. STUART. No, sir; I do not recall that meeting.

Mr. PECORA. Well, now, in what form were the stock issues of Corporation Securities Co. (Inc.) made?

Mr. STUART. They were made in a unit of 1 share of preferred, \$3 dividend preferred; and 1 common.

Mr. PECORA. Did the preferred warrants carry with them any rights to purchase common stock?

Mr. STUART. I have forgotten.

Mr. PECORA. Perhaps Mr. MacNeille can tell you.

Mr. MACNEILLE. I was just trying to think, Mr. Pecora. I think it was convertible, but I am trying to refresh my memory.

Mr. PECORA. Well, did it have the right to convert 2½ preferred for one common?

Mr. MACNEILLE. I think it did.

Mr. PECORA. In other words, each unit, which included 1 share of preferred and 1 share of common, carried with it the right at any

time within five years to convert the 1 share of preferred into 1½ shares of common?

Mr. MACNEILLE. Yes, sir.

Mr. PECORA. That was a matter at the option of the holder at any time within five years.

Mr. STUART. Yes, sir.

Mr. PECORA. Now at what price were those units originally issued to the public?

Mr. STUART. \$75.

Mr. PECORA. \$75?

Mr. STUART. Yes, sir.

Mr. PECORA. And that made an allocation of how much to the common stock? You would divide the 75 by 2½, would you not?

Mr. MACNEILLE. May I answer that? \$50 to the preferred stock, and \$25 to the common.

Mr. PECORA. That made an allocation of \$50 to the preferred stock?

Mr. STUART. Yes, sir.

Mr. PECORA. And \$25 to the common?

Mr. STUART. Yes, sir.

Mr. PECORA. Now how many of those units were issued to Halsey, Stuart & Co.?

Mr. STUART. I do not recall. If any were issued, I would have to look it up.

Mr. PECORA. Well, will you please look it up?

Mr. STUART. Yes, sir. There were none issued to Halsey, Stuart & Co. for its own account.

Mr. PECORA. Did the sales organization of Halsey, Stuart & Co. undertake to sell those units to the public?

Mr. STUART. No, sir.

Mr. PECORA. Did it undertake to sell any of the securities issued by Corporation Securities Co. of Chicago to the public?

Mr. STUART. No; not until the debenture notes were put out.

Mr. PECORA. And when were those debenture notes put out?

Mr. STUART. My recollection is, in the fall of 1930.

Mr. PECORA. In the fall of 1930?

Mr. STUART. Yes, sir.

Mr. PECORA. Will you produce from the records of your company the daily bulletin to its salesmen dated October 21, 1929?

Mr. MACNEILLE. The number?

Mr. PECORA. No. 7.

Mr. STUART. Yes, sir.

Mr. PECORA. Have you got it, Mr. Stuart?

Mr. STUART. Yes, sir.

Mr. PECORA. I ask that this daily bulletin, dated October 21, 1929, produced by the witness, be spread upon the record.

The CHAIRMAN. It will be so ordered.

(The daily bulletin of Halsey, Stuart & Co., under date of October 21, 1929, is printed in the record in full, as follows:)

HALSEY, STUART & CO. DAILY BULLETIN

CHICAGO, ILL., *October 21, 1929.*

SPECIAL MEMORANDUM REGARDING CORPORATION SECURITIES OFFERING

For the guidance of our organization relative to the public offering of shares by the Corporation Securities, the following course of action is outlined and must be adhered to without exception.

On Saturday, the Corporation Securities Co. mailed letters to a selected list of names, inviting formal subscriptions for its shares. Included in this list were many of the customers of Halsey, Stuart & Co. whose names were suggested to the Corporation Securities Co. by members of our organization. Because the Corporation Securities Co. in its present form is new and as yet not extensively or well known, our managers and salesmen should capitalize the opportunity for which we are responsible by getting in touch with customers immediately as the books may close quickly. In all such instances there must be absolute adherence to the following line of thought:

"Possibly you are already familiar with the formation of the Corporation Securities Co. to be controlled jointly by interests associated with Halsey, Stuart & Co. and the Insull interests. Halsey, Stuart & Co. does not underwrite or recommend stocks, but it is possible you will receive an invitation from the Corporation Securities Co. to participate in the offering of its shares.

"Any such letter will be the result of a suggestion on our part that such an invitation be extended to you. We have no recommendation to make and no interest in what your decision may be, other than to let you know of our major interest in the enterprise."

A circular describing the new offering will be inclosed in all invitation letters. There will be no harm in helping any of our customers to interpret the statements therein. Under no circumstances, however, may any of the members of our organization go beyond a discussion of actual facts set forth in the circular and the general expression set forth in quotation marks.

All subscriptions by customers or others must be communicated by them direct to the Corporation Securities Co. They will not be accepted on any other basis.

E. HILL LEITH.

ASSOCIATED GAS & ELECTRIC CO. RIGHTS

Associated Gas & Electric Co. has offered to its stockholders, and to certain other security holders of record at the close of business October 31, 1929, rights to purchase one \$8 interest-bearing allotment certificate at \$133 for each eight shares of stock then held.

The securities covered by each allotment certificate with their current value are as follows:

1 share of common stock, class A, of General Gas & Electric Corporation, or 5 new split up shares (at New York Curb Exchange prices for split up shares).....	\$106
½ share of \$5 dividend series preferred stock of Associated Gas & Electric Co.....	19
1 debenture right of Associated Gas & Electric Co.....	25
Total.....	150

Among the classes of securities which are entitled to these rights are the Associated Gas & Electric Co. 5½ per cent convertible investment certificates of 1938. These rights are to be obtained by the exchange of the 5½ per cent certificates of 1938 for the stock of Eastern Utilities Investing corporation, as provided for in the certificates. If it is wished to make such an exchange, the certificates should be deposited on or before October 30, 1929, with the Irving Trust Co. if in bearer form, or with the company if in registered form. This delivery will constitute such owners as stockholders of record as of October 31, 1929.

EASTERN UTILITIES INVESTING CORPORATION

Stockholders of this corporation are to receive the same rights offered to stockholders of Associated Gas & Electric Co. Further, the holders of debentures of Eastern Utilities Investing Corporation are entitled to these rights provided they exercise their stock purchase warrants, and permission has been granted them to do so on or before October 30, 1929. Such exercise will constitute them stockholders of record on October 31, 1929.

In exercising these purchase warrants the debentures should be delivered or sent by registered mail to the New York Trust Co., 100 Broadway, accompanied by check payable to Eastern Utilities Investing Corporation for \$15 for each share of class A common stock covered by the purchase warrants. Such shipments should be made so as to reach the New York Trust Co. not later than

October 30. The debentures will be returned after the warrants have been detached.

Rights will then be mailed to debenture holders on or about November 15. The class A common stock will be delivered as soon as practicable after 30 days after December 31, 1929. Holders may upon request, however, receive immediately transferable class A common stock warrants pending the issue of the definitive stock.

ANALYTICAL SERVICE.

Taxable securities listed

Name of issue	Rate	Maturity	M	D	C	Price	Yield	Code	Conc.
	<i>Per cent</i>								
Brooklyn City Ry. Eq.-----	5	Jan. 15, 1931	1	---	---	98.16	6.50	Q.KE	.UK
Central Power Co.-----	5	July 1, 1957	4	1	---	92.50	5.53	i.	.UK
Chgo. Aur. & Elgin.-----	5½	Apr. 1, 1934	1	---	---	95.20	6.75	i.	Not
Do.-----	6	Mar. 1, 1931	2	---	---	98.67	7.00	i.	.UK
Chgo. N. S. & Milw. Eq.-----	5	Jan. 1, 1931	---	1	---	97.70	7.00	Q.KE	.UK
Do.-----	5½	Jan. 1, 1933	1	---	---	96.76	6.625	i.	.UK
Chgo. S. S. & So. Bend Eq.-----	5½	Apr. 1, 1934	1	---	---	96.15	6.50	i.	.UK
Do.-----	5½	July 1, 1936	1	---	---	94.61	6.50	i.	.UK
Cinn. Ham. & Dayton Eq.-----	6	Apr. 1, 1934	4	---	---	96.50	7.00	C.	.UK
Cinn. Traction Eq.-----	6	July 1, 1930	---	1	---	99.31	7.00	U.	.UK
Gary Railways.-----	6½	Aug. 15, 1945	3	1	---	90.00	7.00	T.	.UK
Hydro Elec. Corp. of Va.-----	5	Dec. 1, 1958	---	1	5	90.00	5.70	i.	.UK
Long Bell Lumber.-----	6	Dec. 1, 1931	1	---	---	97.00	7.50	i.	.UK
Mtge. Guar. Assoc. ¹ -----	6	June 1, 1930	36	---	---	98.75	7.00	Q.KE	.UK
So. West Lt. & Fr.-----	6	Feb. 1, 1957	---	1	2	91.00	5.65	i.	.UK
Texarkana Water.-----	5	Feb. 1, 1958	5	---	---	91.00	5.65	i.	.UK

¹ Not included in real estate campaign.

Mr. PECORA. Now, let me read from this bulletin of October 21, 1929, the following excerpts to you [reading]:

SPECIAL MEMORANDUM REGARDING CORPORATION SECURITIES

For the guidance of our organization relative to the public offering of shares by the Corporation Securities, the following course of action is outlined and must be adhered to without exception.

On Saturday, the Corporation Securities Co. mailed letters to a selected list of names, inviting formal subscriptions for its shares. Included in this list were many of the customers of Halsey, Stuart & Co. whose names were suggested to the Corporation Securities Co. by members of our organization.

Now, let me ask you, Mr. Stuart, what names were referred to in that portion of this daily bulletin?

Mr. STUART. Well, I presume they were just what it says.

Mr. PECORA. Well, were they a large number of names of customers generally of Halsey, Stuart & Co.?

Mr. STUART. I could not answer.

Mr. PECORA. Do you know anybody that can answer? You were president of Halsey, Stuart & Co.

Mr. STUART. Yes, sir.

Mr. PECORA. And you were the president of the Corporation Securities Co. of Chicago at the same time?

Mr. STUART. Yes; but I would not know what names were suggested.

Mr. PECORA. Well, without knowing particular names, would you know the kind of names, or would you know from what list those names were compiled?

Mr. STUART. No; I would not.

Mr. PECORA. Well, as you read that information on this daily bulletin, does it occur to you that probably the list of names referred to here was a list taken from the customers of Halsey, Stuart & Co.?

Mr. STUART. Yes; because it says so.

The CHAIRMAN. That is the corporation that never sells stock?

Mr. PECORA. Yes. Do you know how many names of customers of Halsey, Stuart & Co. were given——

Mr. STUART (interposing). I do not.

Mr. PECORA (continuing). To the Corporation Securities Co. of Chicago by members of your company?

Mr. STUART. I do not; no, sir.

Mr. PECORA. It was a large number, was it not?

Mr. STUART. I really do not know.

Mr. PECORA. Do you know of anyone who would know?

Mr. STUART. I think somebody in our office being in the sales department would know; yes. They might remember.

Mr. PECORA. Now, let me read further from this daily bulletin [reading]:

Because the Corporation Securities Co. in its present form is new and as yet not extensively or well known, our managers and salesmen should capitalize the opportunity for which we are responsible by getting in touch with customers immediately as the books may close quickly.

That was in the nature, was it not, of a summons or request to your sales force to push the sale of the stock of the Corporation Securities Co. of Chicago?

Mr. STUART. No, sir; I would not take it that way.

Mr. PECORA. Well, what does this mean when you say to your salesmen in this bulletin, "Our managers and salesmen should capitalize the opportunity for which we are responsible by getting in touch with customers immediately as the books may close quickly"?

Mr. STUART. Well, I think there was a howling mob stock market at that time, and, as I said before, everyone was buying stocks and not bonds, and that this was thought by everybody to be a tremendous opportunity.

Mr. PECORA. Well, you mean thought by the general public to be a tremendous opportunity to buy the common stock of the Corporation Securities Co. of Chicago; is that what you mean, Mr. Stuart?

Mr. STUART. That is what the public thought.

Mr. PECORA. That is what you think the public thought?

Mr. STUART. Yes, sir.

Mr. PECORA. Did you not say in this bulletin to your salesmen that the public knew very little about this security because it was a new issue?

Mr. STUART. Well, you see, the mere rumor of it, as I remember, the brokers on the mere rumor, brokers were selling it on the Street at more than \$100.

Mr. PECORA. The mere rumor of this issue——

Mr. STUART (interposing). Yes, sir.

Mr. PECORA (continuing). Caused a tremendous demand for it?

Mr. STUART. Yes, sir.

Mr. PECORA. Despite the fact, as you advised your company, that the "Corporation Securities Co. in its present form is new and as yet not extensively or well known"?

Mr. STUART. Yes, sir.

Mr. PECORA. You still think——

Mr. STUART (interposing). Oh, I know there were actual sales.

Mr. PECORA (continuing). The public were exceedingly anxious to buy the securities?

Mr. STUART. There were actual sales between brokers of over \$100 a unit.

Mr. PECORA. Between brokers?

Mr. STUART. Yes, sir; between brokers.

The CHAIRMAN. Speaking of tremendous opportunities, did it not turn out to be a tremendous opportunity for those who were selling, rather than for those who were buying?

Mr. STUART. Well, it turned out unfortunately.

Mr. PECORA. Now, in this bulletin you were stating to your salesmen, among other things, that they "should capitalize the opportunity for which we are responsible." What did you mean; for which Halsey, Stuart & Co. were responsible?

Mr. STUART. Well, I think it included, what it says in the early paragraphs, that many of the names were suggested by members of our organization.

Mr. PECORA. No; but this injunction is to your managers and salesmen to capitalize the opportunity.

Mr. STUART. Yes, sir.

Mr. PECORA. What did that mean? The opportunity to sell common stock of Corporation Securities Co. of Chicago to the public?

Mr. STUART. No; I think it means just what it says here, to tell people that they might receive an invitation to join this group. I think that is what it means.

Mr. PECORA. Were the salesmen of your company given commissions on the sales of this stock?

Mr. STUART. No, sir.

Mr. PECORA. Then how could they capitalize it, if they were not getting commissions?

Mr. STUART. I think they could capitalize in this way: I have already said the sales were at \$100 a unit, and we suggested to the organization that they should send names in, and then we told the customer that they had presented his name. I think that is what it meant. There was not anything in it for us.

Senator BROOKHART. That was the stongest kind of a recommendation. You opened it up by buying the Insull stock. You meant the record of the Insull stock; on account of the record you put it up?

Mr. STUART. Oh, I do not know. I should not think so.

Mr. PECORA. Let me read further from this bulletin. [Reading:]

In all such instances there must be absolute adherence to the following line of thought:

And then there follow two paragraphs in this bulletin in quotations. Is that so?

Mr. STUART. Yes, sir.

Mr. PECORA. Those two paragraphs in quotation marks were intended to be the line of talk which the salesmen of your company were to use in any representations they made to customers of Halsey,

Stuart & Co. of the securities of the Corporation Securities Co. of Chicago?

Mr. STUART. Yes, sir.

Mr. PECORA. Is that right?

Mr. STUART. Yes, sir.

Mr. PECORA. Do you know who prepared this bulletin?

Mr. STUART. I think Mr. Leith, whose name is signed below.

Mr. PECORA. What was Mr. Leith's position with your company?

Mr. STUART. Mr. Leith is vice president.

Mr. PECORA. Now, let me read these two paragraphs in quotation marks from this bulletin. [Reading:]

Possibly you are already familiar with the formation of the Corporation Securities Co. to be controlled jointly by interests associated with Halsey, Stuart & Co. and the Insull interests. Halsey, Stuart & Co. does not underwrite or recommend stocks, but it is possible you will receive an invitation from the Corporation Securities Co. to participate in the offering of its shares.

Any such letter will be the result of a suggestion on our part that such an invitation be extended to you. We have no recommendation to make and no interest in what your decision may be, other than to let you know of our major interest in the enterprise.

Now, in that so-called line of talk, Mr. Stuart, is there not subtly conveyed to the prospective purchaser of these securities, or the salesmen of your company a recommendation that the common stock of Corporation Securities Co. of Chicago would be a good purchase?

Mr. STUART. I would not so regard it, Mr. Pecora.

Mr. PECORA. You do not think that the language is capable of any such interpretation, do you?

Mr. STUART. It would not, to me.

Mr. PECORA. What would it mean to you, if it did not mean that?

Mr. STUART. What would it mean to me? It just meant that somebody called my attention to it, take it or not. No recommendation.

Mr. PECORA. Does not that mean that somebody in Halsey, Stuart & Co. called to the attention of the prospective purchaser or buyer an issue which Halsey, Stuart & Co. were not recommending, but in which Halsey, Stuart & Co. were interested; is not that what it means?

Mr. STUART. Yes; it says that.

Mr. PECORA. And does not that convey the idea that Halsey, Stuart & Co. were interested in the security, or in the company issuing the security? In other words, a recommendation?

Mr. STUART. It would not to me.

Mr. PECORA. From Halsey, Stuart & Co.?

Mr. STUART. No, sir; I do not think so.

Senator BROOKHART. Then why mention it?

Mr. STUART. Well, just for the reason that is given here, that is all. It would not be any recommendation to buy.

Mr. PECORA. Well, when Halsey, Stuart & Co. was giving Corporation Securities Co. of Chicago a list of names of its customers or purchasers of securities in the latter company, it did it for the purpose of enabling the latter company to sell to them?

Mr. STUART. It gave them an opportunity to buy.

Mr. PECORA. It gave an opportunity to contact the customers of Halsey, Stuart & Co., a contact to be utilized in an effort to sell the common stock of that company to those persons, would it not?

Mr. STUART. Well, it was given as an opportunity to the investor if he wanted to exercise it.

Senator BROOKHART. Did that include your entire list of customers?

Mr. STUART. I do not know. He asked me that before, and I do not know what kind of list it means.

Mr. PECORA. You had in these quoted portions of this bulletin for your salesmen to tell the customers of your company who were to receive these letters from the Corporation Securities Co. of Chicago to subscribe to its stock, that Halsey, Stuart & Co. had a major interest.

Mr. STUART. Yes; that is what it says here.

Mr. PECORA. Yes. And Halsey, Stuart & Co.'s major interest would be served, would it not, by a substantial sale of the stock of the Corporation Securities Co. of Chicago to the investing public?

Mr. STUART. Well, not to our customers.

Mr. PECORA. Well, why did you put your customers' names on the list of the Corporation Securities Co. of Chicago?

Mr. STUART. I understood your question was our customers. There were plenty of other people that wanted to buy. The thing was oversubscribed in three or four hours.

Mr. PECORA. Then why did you give the Corporation Securities Co. of Chicago the names of your customers to be written to?

Mr. STUART. I do not know. It was done, I suppose, days in advance.

Mr. PECORA. It was done days in advance?

Mr. STUART. It was done days in advance, I suppose.

Senator BROOKHART. That is the reason it was oversubscribed?

Mr. STUART. I do not know how many names were on it. I imagine there were thousands of people who got it.

Mr. PECORA. Now let me read the following excerpts from the bulletin. This is not in quotes. [Reading:]

A circular describing the new offering will be inclosed in all invitation letters. There will be no harm in helping any of our customers to interpret the statements therein.

Now what was meant by that instruction to your salesmen?

Mr. STUART. That I do not know, unless they could answer any remarks. That is what it says here.

Mr. PECORA. Well, when you say: "There will be no harm in helping any of our customers to interpret the statements therein," you meant the statements that would be in the circular that was to be sent to your customers in the event of Corporation Securities Co. of Chicago offering its common stock to them for sale?

Mr. STUART. I think that is what it means; yes.

Mr. PECORA. Now I will ask you if you will be good enough to produce a letter from your files dated August 12, 1932, addressed to Halsey, Stuart & Co., by a man named Frank J. Bunker? I think it is No. 6.

Mr. STUART. August, 1932?

Mr. PECORA. August 12, 1932.

Mr. STUART. Yes, sir.

Mr. PECORA. May I have it, please?

Mr. STUART. Yes, sir.

Mr. PECORA. I ask that this letter be spread on the record, the letter produced by the witness; and also the reply to that letter made

by Halsey, Stuart & Co. under date of August 18, 1932, also produced by the witness.

The CHAIRMAN. There being no objection, it is so ordered.

(The letter of August 12, 1932, and also the letter of August 18, 1932, are printed in full in the record, as follows:)

NEW LISBON, WIS.,
August 12, 1932.

HALSEY STUART & Co.,
Milwaukee, Wis.
(Attention of Mr. Adams.)

GENTLEMEN: For — sake, is there any issue that Halsey Stuart sold me that hasn't or isn't going to default? I refer to Northwestern Elevated, American Ice, State and Washington Building, LaSalle Wacker Building, etc., Corporation Securities.

Please let me have a little information on the above-named issues as to when some of them will again pay interest, especially on the American service issue which I cursed from the start but was always soaped along to think it was all right.

Also what is happening to LaSalle Wacker Building and State and Washington Building, Corporation Securities, etc. When I think of the small fortune I sunk in Halsey Stuart sound bonds it gives me a headache, and I am writing you to find out if these things are about to start paying out.

FRANK J. BUNKER.

AUGUST 18, 1932.

MR. FRANK J. BUNKER,
New Lisbon, Wis.

DEAR MR. BUNKER: Replying to your letter of August 12, addressed to Mr. Adams, we are sorry we can not give you any definite information as to when Northwestern Elevated Railroad, American Service Co., State and Washington Buildings, La Salle Wacker Building, or Corporation Securities Co., securities, will resume interest payments.

In the case of the Northwestern Elevated first 5's we have a situation where traffic has declined to a point where earnings are not sufficient to meet charges. How soon business is going to increase to a point where these charges can again be met is something nobody can predict. However, you have a first mortgage on an important part of the rapid transit system in Chicago and you should be accorded consideration in a reorganization.

In the case of the American Service Co., you have probably deposited your bonds with the bondholders' committee and have received the information this committee has been sending out from time to time. The last communication was sent out on April 5 of this year, which gave a balance sheet and earnings statement. We have no detailed figures since that date. The company is not in receivership, and so far no plans for reorganization have been taken up. If you do not have a copy of the committee's letter of April 5, we shall be glad to send you one, as this gives you the information in rather complete form.

In the case of the State and Washington Buildings, this situation is one where you have a first mortgage on a piece of property which has always been considered very valuable and one of the best in Chicago. The difficulties of its principal tenant are, of course, responsible for the impending default in interest on September 1.

In the case of the La Salle Wacker Building Corporation, this situation is one we have been working on for some time and we hope to be able to advise you further in this connection before very long. You will be interested in knowing that the building is now paying its way, although it is not yet able to pay its bond interest.

The Corporation Securities Co. notes are probably the most unsatisfactory of the issues mentioned in your letter. Figures are of little use to you in this instance, as the value of the collateral owned by the company has changed and we have no way of knowing what the action of the courts or bank creditors will be. With these factors it is impossible to make any prediction as to the near, or ultimate outlook for these notes.

In going over your list of purchases we note there are a number of issues about which we do not think you should have any concern; also, in this connection we

note that some of the issues referred to in your letter were purchased at very substantial discounts.

We realize that there is nothing tangible, or very encouraging, we have been able to tell you in this letter; but we assure you that we are doing all we can to cooperate with the responsible individuals in the working out of these situations on the best possible terms for those who purchased the securities from us.

Very truly yours,

Mr. PECORA. The letter reads as follows—this is the letter to Halsey, Stuart & Co., dated August 12, 1932. [Reading:]

(Attention of Mr. Adams.)

GENTLEMEN: For ——— sake, is there any issue that Halsey, Stuart sold me that hasn't or isn't going to default. I refer to Northwestern Elevated, American Ice, State & Wash Building, LaSalle Wacker Building, etc., Corporation Securities.

Please let me have a little information on the above-named issues as to when some of them will again pay interest, especially on the American Service issue which I cursed from the start but was always soaped along to think it was all right.

Also what is happening to LaSalle Wacker Building and State & Wash Building, Corporation Securities, etc. When I think of the small fortune I sunk in Halsey, Stuart sound bonds it gives me a headache, and I am writing you to find out if these things are about to start paying out.

FRANK J. BUNKER.

And there is a pencil memorandum at the bottom of the letter reading as follows:

Barney: Reply to this.

Who was Barney?

Mr. STUART. I do not know.

Mr. PECORA. He is an employee of the company?

Mr. STUART. Yes; but I do not know who it is.

Mr. PECORA. Now in the reply, which was written by your company to Mr. Bunker, under date of August 18, 1932, I want to call your attention, Mr. Stuart, to the following paragraph [reading]:

The Corporation Securities Co. notes are probably the most unsatisfactory of the issues mentioned in your letter. Figures are of little use to you in this instance, as the value of the collateral owned by the company has changed and we have no way of knowing what the action of the courts or bank creditors will be. With these factors it is impossible to make any prediction as to the near, or ultimate outlook for these notes.

In going over your list of purchases we note there are a number of issues about which we do not think you should have any concern; also, in this connection we note that some of the issues referred to in your letter were purchased at very substantial discounts.

We realize that there is nothing tangible, or very encouraging, we have been able to tell you in this letter; but we assure you that we are doing all we can to cooperate with the responsible individuals in the working out of these situations on the best possible terms for those who purchased the securities from us.

Now all of the securities referred to in Mr. Bunker's letter are in default, are they not?

Mr. STUART. Yes, sir.

Mr. PECORA. And have continued in default?

Mr. STUART. Yes; I think so; all of them.

Mr. PECORA. Are you in a better position now than you were in August, 1932, to say what the debenture holders of the Corporation Securities Co. of Chicago will get for their debentures?

Mr. STUART. To-day, I presume, yes; I think so.

Mr. PECORA. What?

Mr. STUART. I think we could say to-day that they will get very little.

Mr. PECORA. If anything?

Mr. STUART. They will get very little.

Mr. PECORA. They will get very little, if anything?

Mr. STUART. Yes; that would be my judgment.

The CHAIRMAN. The committee will now take a recess until 2.15 o'clock this afternoon, and convene again in this room. All witnesses who are under subpoena will return and be in attendance at that time.

(Thereupon, at 1 o'clock p. m., the committee stood in recess until 2.15 o'clock p. m. of the same day.)

AFTER RECESS

The subcommittee resumed at 2.15 p. m. on the expiration of the recess.

The CHAIRMAN. The committee will resume.

TESTIMONY OF HAROLD L. STUART, PRESIDENT, HALSEY, STUART & CO., CHICAGO, ILL.—Resumed

Mr. STUART. Mr. Pecora, you asked me to produce any literature that we may have gotten out which showed that we had some large connection with Corporation Securities Co. of Chicago.

Mr. PECORA. Not particularly any large connection, but a connection which represented a considerable or large stock ownership.

Mr. STUART. Which indicated that, you meant?

Mr. PECORA. Yes.

Mr. STUART. Here is a circular on the issue of \$40,000,000 of gold notes, that explains about a voting trust on a very large amount of stock.

Mr. PECORA. You have produced, Mr. Stuart, from your files this prospectus relating to the issue of \$40,000,000 of serial gold notes, by the Corporation Securities Co. of Chicago, as being a prospectus put out by your company to the public, in which it is indicated that your company had a substantial interest, represented through stock ownership in the Corporation Securities Co. of Chicago. Is that your purpose in giving me this prospectus?

Mr. STUART. Yes, sir.

Mr. PECORA. Will you point out any language in that prospectus which has that effect?

Mr. STUART. I should say that this last paragraph would have that effect.

Mr. PECORA. Do you mean that portion of the prospectus which reads as follows:

Two million, thirty thousand shares of 4,116,403 shares of common stock now issued or held in voting trust expiring on November 1, 1934, with option to renew for an additional five years. The voting trustees under this trust are Samuel Insull, H. L. Stuart, and Samuel Insull, jr.

Is that the portion of this prospectus that you maintain informs the public of a large stock ownership by Halsey, Stuart & Co. of common stock of the Corporation Securities Co. of Chicago?

Mr. STUART. Yes; I should say so.

Mr. PECORA. Is there anything at all said there about Halsey, Stuart & Co. being the owner of any common stock of Corporation Securities Co. of Chicago?

Mr. STUART. I think this indicates a large ownership.

Mr. PECORA. Well, as a matter of fact, doesn't it indicate that you individually were one of three trustees who had the right to vote a large block of the common stock of the Corporation Securities Co. of Chicago? Isn't that all that that statement means?

Mr. STUART. Yes; but I understood your question to me to be anything that would indicate that we had a large interest in it, and I think this would indicate that.

Senator BROOKHART. From that how could one tell who were the owners of the common stock?

Mr. STUART. I was one of the voting trustees.

Mr. PECORA. Well, can not one be a voting trustee without being the owner of a single share of stock?

Mr. STUART. Yes, but——

Mr. PECORA (continuing). So that all that circular states is that you were one of three voting trustees; and yet it was possible for you or anyone else to be a voting trustee without being the owner of a single share of stock?

Mr. STUART. Yes; but it indicates that we had an interest there, and also that we had something to say about management, too.

Mr. PECORA. And that something to say about management flowed from the voting trust agreement and not from the ownership of any shares.

Mr. STUART. Yes, sir; but——

Mr. PECORA (continuing). And it is a device that is often resorted to in order to obtain control of the operation and management of a corporation at a minimum of actual investment.

Mr. STUART. Yes; and——

Mr. PECORA (interposing). And that is what you are pointing to as evidence, and the only evidence you have been able to produce, by which your company informed the public through the medium of a circular that it had a substantial interest in a company whose securities you were offering to the public, represented by ownership of stock. Is that right?

Mr. STUART. That is the only thing I have been able to find so far.

Mr. PECORA. What is the date of that circular?

Mr. STUART. September 10, 1930.

Mr. PECORA. And that was nearly a year after that company was first organized?

Mr. STUART. Yes, sir.

Mr. PECORA. Now, in view of the fact that you have referred to this voting trust agreement, let me ask you something about it: When was that voting trust agreement effected?

Mr. STUART. I think it was effected right after the organization of the company.

Mr. PECORA. That is, on or about October 5, 1929?

Mr. STUART. Yes, sir.

Mr. PECORA. At that time the public held no shares of the common stock of the company?

Mr. STUART. No; not up to the time of the public offering.

Mr. PECORA. And the officers and directors, or rather the directors of Corporation Securities Co. of Chicago, of which you were president, created this voting trust, and attached it to a large block of the common stock of the company.

Mr. STUART. Yes.

Mr. PECORA. And the voting trustees designated in that trust agreement were Mr. Samuel Insull, sr., Samuel Insull, jr., and yourself.

Mr. STUART. Yes, sir.

Mr. PECORA. And the purpose of it was to enable the three voting trustees, you, Mr. Samuel Insull, sr., and Mr. Samuel Insull, jr., without necessarily investing a single dollar of your own money in the corporation, to retain the management and control of it through the creation of that voting trust, attaching to over a million shares of stock? Isn't that right?

Mr. STUART. Well, of course we actually owned shares.

Mr. PECORA. But you need not have owned any shares at all in order to have obtained that control through the medium of that voting trust.

Mr. STUART. I presume a voting trust could be created without the trustees owning stock.

Mr. PECORA. Under the terms of this voting trust and the manner in which it was created, it was made possible for you and the other two trustees to control the company without owning a single share of the stock.

Mr. STUART. But we actually did.

Mr. PECORA. But, I say, it was made possible by this voting trust.

Mr. STUART. Perhaps.

Mr. PECORA. And that was done by the directors at the outset.

Mr. STUART. Perhaps it was.

Mr. PECORA. And the directors and officers were all persons that were connected with either the Insull companies or Halsey, Stuart & Co., weren't they?

Mr. STUART. That is my recollection.

Mr. PECORA. Is there anything more that you want to tell us about this voting trust agreement?

Mr. STUART. I think the circular put out by the company when offering the original allotment units also said something about a voting trust, but I have not a copy of that circular.

Mr. PECORA. Well, Mr. Stuart, I take it you are not pointing with pride to this voting trust in the light of the things that have since transpired.

Mr. STUART. No. But you asked me this morning to produce such a document, and I think that document answers your question.

Mr. PECORA. You still think it answers the question I asked you this morning?

Mr. STUART. I think it indicates a large ownership.

Mr. PECORA. At the time of the incorporation of Corporation Securities Co. of Chicago a certificate of such incorporation was filed under the laws of the State of Illinois in the office of the secretary of state, wasn't it?

Mr. STUART. I presume so.

Mr. PECORA. And under the laws of the State of Illinois such certificate was required to show the stockholders at the time of the filing of the certificate.

Mr. STUART. I presume so.

Mr. PECORA. And at the time of the filing of this certificate were Halsey, Stuart & Co. the owners, either legally or equitably, of any common stock of Corporation Securities Co. of Chicago?

Mr. STUART. I could not answer without looking that up.

Mr. PECORA. Will you look that up if you have any records available?

Mr. STUART. All right.

Mr. PECORA. Let me remind you, and perhaps it will save you the trouble of looking it up: Were any shares of the common stock of the corporation acquired by Halsey, Stuart & Co. at the time of the incorporation on October 5, 1929?

Mr. STUART. I presume so, but I couldn't tell you definitely without looking it up.

Mr. PECORA. Don't you recall that at the outset of that corporation a million shares of its common stock were allotted to Halsey, Stuart & Co., and a little more than a million shares to Samuel Insull, sr.?

Mr. STUART. I recall those amounts, but I do not know the dates of the allotment.

Mr. PECORA. Now, in whose name was the subscription for those million shares allotted to Halsey, Stuart & Co.?

Mr. STUART. I could not answer.

Mr. PECORA. Do you know a man named Walter F. Darfler?

Mr. STUART. Yes, sir.

Mr. PECORA. Who is he?

Mr. STUART. He is connected with Halsey, Stuart & Co.

Mr. PECORA. In what capacity?

Mr. STUART. He is assistant secretary or assistant treasurer, I find by inquiry.

Mr. PECORA. Isn't it a fact that at the time of the filing of this certificate of incorporation with the secretary of state of Illinois the certificate showed that Walter F. Darfler gave the address of 201 South La Salle Street, Chicago, and that he was the owner or was one of the stockholders to the corporation to the extent of 999,996 shares of common stock?

Mr. STUART. I could not say. But if that is the record, that is true.

Mr. PECORA. For which he was supposed to have paid in to the company the sum of \$13,778,034.45?

Mr. STUART. If that is the record.

Mr. PECORA. Let me show you the original certificate of the secretary of state of Illinois, dated October 11, 1929, of the articles of incorporation of the Corporation Securities Co. of Chicago.

Mr. STUART. All right.

Mr. PECORA. Will you turn to the photostatic pages attached to that certificate, the one that contains the list of stockholders of Corporation Securities Co. of Chicago?

Mr. STUART. All right.

Mr. PECORA. I will point it out to you if you wish.

Mr. STUART. I have it here.

Mr. PECORA. Do you see Mr. Darfler's name on that?

Mr. STUART. Yes, sir.

Mr. PECORA. Is Halsey, Stuart & Co.'s name shown on that list?

Mr. STUART. No, sir.

Mr. PECORA. The fact of the matter is that Darfler, a subordinate officer of Halsey, Stuart & Co., is shown to be the owner of nearly 1,000,000 shares, in fact 1,000,000 shares less 4 shares, of the common stock of the company.

Mr. STUART. Yes, sir.

Mr. PECORA. And Darfler was not the owner of those shares, was he?

Mr. STUART. No, sir.

Mr. PECORA. He was a dummy or nominee with respect to such shares of Halsey, Stuart & Co.?

Mr. STUART. He was the nominee, our nominee.

Mr. PECORA. Now, was there any purpose in concealing from the public records the fact that Halsey, Stuart & Co. and not Darfler were the actual owners of those 1,000,000 shares of common stock?

Mr. STUART. There was no point of concealment there.

Mr. PECORA. Why was it done?

Mr. STUART. We wanted some individual's name instead of the name of a corporation.

Mr. PECORA. For what reason?

Mr. STUART. I do not know. I suppose it was done in order that——

Mr. PECORA (interposing). Wasn't it because you did not want a public record of the fact that Halsey, Stuart & Co. owned a million shares of the common stock of this corporation in view of the fact that Halsey, Stuart & Co. had planned to offer and sell to the public the debentures of the Corporation Securities Co. of Chicago in the matter of some millions of dollars?

Mr. STUART. No, sir. There was no attempt at concealment.

Mr. PECORA. But there was concealment.

Mr. STUART. It was done for that purpose. There was no attempt at concealment.

Mr. PECORA. It was a concealment, but was it done for any other purpose that you can now think of?

Mr. STUART. None, except that it was easier to handle it in that way.

Mr. PECORA. Was it easier to write in the name of Walter F. Darfler than to write in the name of Halsey, Stuart & Co.?

Mr. STUART. No, sir. But it was easier to handle in the case of an individual.

Mr. PECORA. Those million shares of common stock were not handled by Darfler but by Halsey, Stuart & Co.?

Mr. STUART. That is right.

Mr. PECORA. So that there was no ease that accrued in the handling of this stock from the mention of the name of Darfler as the owner of those shares instead of the name of Halsey, Stuart & Co.?

Mr. STUART. Well, it is frequently done. We always do it.

The CHAIRMAN. Well, Mr. Stuart, you are an individual. You could have used your own name.

Mr. STUART. Yes. I do not know why we used his name particularly.

The CHAIRMAN. I noticed when a question was asked you a moment ago by counsel to the committee you didn't know even who he was.

Mr. STUART. Oh, I know him all right. But I asked about his title or office.

Senator COUZENS. Is there anything in the statutes of the State of Illinois which prohibit a copartnership or corporation from holding stock in another corporation?

Mr. STUART. I do not know. I can not answer that.

Mr. PECORA. You know, as a matter of fact——

Mr. ISAAC H. MAYER (interposing). Mr. Chairman, I am counsel for one of the Chicago banks, and perhaps I might answer that.

The CHAIRMAN. Very well.

Mr. MAYER. The Illinois law expressly permits an Illinois corporation to own stock in another corporation, with certain exceptions, the exceptions being along the line calculated to prevent a monopoly. But speaking generally——

Senator COUZENS (interposing). In other words, there was no prohibition in the Illinois statute preventing Halsey, Stuart & Co. from being subscribers to the stock of that corporation?

Mr. MAYER. No; assuming that Halsey, Stuart & Co. were not a bank. I do not know anything about them or their charter as to that matter.

The CHAIRMAN. Is Halsey, Stuart & Co. a bank?

Mr. STUART. No, sir. We are a corporation under the general corporation law.

The CHAIRMAN. You said this morning you never claimed you were the largest bank.

Mr. PECORA. I think he said investment dealer.

Mr. STUART. Investment dealer, I think I said.

The CHAIRMAN. Do you know anyone that is larger than yourselves?

Mr. STUART. Well, as I said this morning, I do not know about the volume of business done by others.

The CHAIRMAN. But you are not sure that there are any in the United States which are larger than yours?

Mr. STUART. I do not know about that.

Senator COUZENS. You are the concern that used to broadcast The Old Counsellor?

Mr. STUART. Yes, sir.

The CHAIRMAN. That was gone into fully this morning, Senator Couzens, but I am not saying that in order to stop you, but merely to inform you that that has been fully gone into.

Senator COUZENS. I do not want to repeat it. I was not able to be here this morning.

The CHAIRMAN. Mr. Stuart admitted that he employed The Old Counsellor.

Senator COUZENS. Well, I hope he did not take The Old Counsellor's advice. [Laughter.]

Mr. PECORA. What did Halsey, Stuart & Co. pay to Corporation Securities Co. of Chicago for those million shares of its common stock.

Mr. STUART. One hundred fifty two thousand two hundred seventy shares of Insull Utility Investments, (Inc.) common, which then had a market value of between fifteen and sixteen million dollars.

Mr. PECORA. In other words, a market value of about 100?

Mr. STUART. A market value of about 100, between 100 and 106 on the day that it was organized.

Mr. PECORA. Yes.

Mr. STUART. A value of between fifteen and sixteen million dollars, and —

Mr. PECORA (interposing). And those are the shares that your company got at \$10 and \$12 a share originally?

Mr. STUART. Well, some higher than that.

Senator COUZENS. What was the average?

Mr. STUART. I think our average cost was around 40 or 41.

Senator COUZENS. And you put them in at over 100?

Mr. STUART. Yes. There was a market value of 100, but the way we got paid for them was not in cash. The actual cash cost of that stuff to us had been about \$3,400,000. That was our actual cash cost, which was somewhere around or a little over \$20 a share.

Senator COUZENS. And you got in return for that some \$13,000,000 of this Corporation Securities Co.'s stock?

Mr. STUART. Just a moment. We sold that—all the stock we had, which cost us \$3,400,000, to the Corporation Securities Co., for our cost price, and the average was about—for the high we paid as much as 40, but our average was about 20. And that gave us back our actual cash, and there was a real market at that time, well, a very big market for it—and then we took the common stock in the corporation for the balance.

Senator COUZENS. What was the par value of the stock you took from the Corporation Securities Co.?

Mr. STUART. It was stock without par value. A million shares I think without par value.

Senator COUZENS. That is what is represented in the articles of incorporation originally \$13,000,000 plus.

Mr. STUART. Yes. The point is that we did not get any cash profit. That is what I want to emphasize.

Mr. PECORA. At what price per share did your company take over a million shares in October of 1929 from the Corporation Securities Co.?

Mr. STUART. We took them over at the difference between the then market value and the cash.

Mr. PECORA. At what price per share was it? Wasn't it \$12 and a fraction per share?

Mr. STUART. I think that is the way it would figure out. But I have not the exact figures.

Mr. PECORA. It was \$12 and a fraction per share, wasn't it?

Mr. STUART. I do not know.

Mr. MACNEILLE. If I understood just what Mr. Pecora is asking about, if he agrees for me to answer it?

Mr. STUART. Would you like to leave that until Mr. MacNeille can answer it?

Mr. PECORA. At the outset of the existence of Corporation Securities Co. you recall, don't you, that 1,045,433 shares of common stock were sold to Samuel Insull and members of his family, and 1,000,000 shares to Halsey, Stuart & Co., at a price of \$12.11 per share?

Mr. STUART. I do not remember the price.

Mr. PECORA. You wouldn't dispute that that is a fact, would you?

Mr. STUART. Oh, no; I would not dispute it. I just do not remember what it was.

Mr. PECORA. Now, this common stock of Corporation Securities Co. of Chicago was shortly thereafter listed on the Chicago Stock Exchange, wasn't it?

Mr. STUART. That is my recollection.

Mr. PECORA. Do you know at what price the stock was sold on the opening day on the Chicago Stock Exchange?

Mr. STUART. I do not know.

Mr. PECORA. Don't you recall that this common stock was issued and traded in in units, each unit calling for one share of preferred convertible and one share of common?

Mr. STUART. Yes.

Mr. PECORA. And that the conversion privilege attached to the preferred shares was to exchange the preferred for one and one-half shares of common?

Mr. STUART. Yes, sir.

Mr. PECORA. Don't you recall that the opening day's trades on the Chicago Stock Exchange for those units was at \$100 per unit, giving a value of \$40 to the common shares?

Mr. STUART. I do not remember what it sold at.

Senator COUZENS. I should like to ask just what counsel for the committee means. Does he mean to indicate that the preferred was worth 60 and the common worth 40?

Mr. PECORA. Yes, sir; because each unit consisted of 1 share of preferred convertible into $1\frac{1}{2}$ shares of common, and also 1 share of common. So that a unit selling for \$100 would represent $2\frac{1}{2}$ shares of common stock, making \$40 a share for the common stock.

Senator COUZENS. That is on the assumption that the conversion was made?

Mr. PECORA. Yes.

Senator COUZENS. But your conclusion does not follow until the conversion was made?

Mr. PECORA. But the conversion, at the option of the holder, would be made, I take it, and that was the valuation.

Senator COUZENS. But conversions are not always made.

Mr. PECORA. No.

Senator COUZENS. All right.

Mr. PECORA. Now, Mr. Stuart, how many units did Halsey, Stuart & Co. acquire?

Mr. STUART. We did not acquire any units of that original offering, for our own account.

Mr. PECORA. At what price per unit did Halsey, Stuart & Co. acquire those units?

Mr. STUART. Well, as I say, we did not acquire any for our own account. If we acquired them it was for somebody else's account, and then at the unit price, which I think was 75.

Mr. PECORA. Well, now, didn't Halsey, Stuart & Co. sell those units through its selling organization to the public?

Mr. STUART. No; not at all.

Mr. PECORA. Were not those units offered to the public in the name of Corporation Securities Co. of Chicago but to customers of Halsey, Stuart & Co. whose names were furnished by Halsey, Stuart & Co. to Corporation Securities Co. of Chicago?

Mr. STUART. Yes. We furnished some names to the Corporation Securities Co., and they sent a circular direct. We had nothing whatever to do with the sale.

Mr. PECORA. At what price were the units offered to the public at that time?

Mr. STUART. It is my recollection at 75.

Mr. PECORA. Now, did Halsey, Stuart & Co. at any time enter into any syndicate agreements with anyone for the purpose of supporting the market for the common stock of either Insull Utility Investments (Inc.) or Corporation Securities Co. of Chicago?

Mr. STUART. Not that I recall.

Mr. PECORA. Do you mean by that answer that there may have been some such instances but they are not now within your recollection?

Mr. STUART. I do not remember any such instance.

Mr. PECORA. I show you this letter, written on the letterhead of Halsey, Stuart & Co., dated December 31, 1929, addressed to Mr. Samuel Insull, chairman Insull Utility Investments (Inc.). Will you kindly look at it and read it?

Mr. STUART. All right. I remember it.

Mr. PECORA. After reading that letter is your recollection refreshed as to whether or not Halsey, Stuart & Co. entered into any syndicate agreement with anyone with respect to maintaining the market for the common shares of Insull Utility Investments (Inc.)?

Mr. STUART. Yes. That statement still holds. Here is what we did here: After we bought these \$60,000,000 of debentures for the account of the buying syndicates, a part of the conditions of the trade was that the company would have to maintain the market on the common stock at the closing price on the day prior to the dealers' offering for four business days thereafter. That was a part of the consideration of purchase. We had nothing to do with supporting that stock or buying any of it.

Mr. PECORA. That is, you agreed to take over those debentures?

Mr. STUART. Yes, sir.

Mr. PECORA. And the company issuing those debentures was to agree to maintain the market for the common stock?

Mr. STUART. Yes, sir; that is right.

Mr. PECORA. What did you mean by maintaining the market for the common stock?

Mr. STUART. It says:

We also understand that you agree to maintain the market on Insull Utility Investments (Inc.) common stock at the closing price on the day prior to dealers' offerings for four business days thereafter.

Mr. PECORA. What did you understand Insull Utility Investments (Inc.) was to do under that arrangement?

Mr. STUART. They would have to maintain the market, keep the price at what it was at that time.

The CHAIRMAN. Well, now, Mr. Stuart, I thought you said a while ago it was the public that made the price. Now you are getting into another line.

Mr. STUART. Well, Mr. Chairman, this is a particular transaction. Mr. Pecora was asking me what this meant.

The CHAIRMAN. But you said the market was maintained by public buying. Here it would seem that it was to be maintained by somebody else.

Mr. STUART. Here was a different matter. It is true that generally the prices must be made by the public. This was a particular transaction, connected with \$60,000,000 of gold debentures with conversion and stock purchase warrants attached.

The CHAIRMAN. And it says that the market must be maintained for four days. Is that in order that the public may be protected or that the syndicate may be protected?

Mr. STUART. Well, in order that the public may be protected.

The CHAIRMAN. I can not see that at all.

Mr. STUART. Connected with the purchase of the gold debentures.

Mr. PECORA. But did it not in this case work the other way for the public?

Mr. STUART. Well, you see——

The CHAIRMAN (interposing). But what I want to know is: Who is making the market? It has been reported so often to this committee that markets were never made but were just the result of natural conditions of buying and selling. Here for the first time is something sprung on us, and in writing, that calls for maintaining the market at a high price, or at least at a certain price, until something else takes place.

Mr. STUART. I think you have me confused with Mr. Davis. I do not know anything about stocks.

The CHAIRMAN. I do not know anything about what happened yesterday at all. I am talking about what has been happening before this committee.

Mr. PECORA. Mr. Stuart, doesn't this letter refer to maintaining the market for the common stock of Insull Utility Investments (Inc.)?

Mr. STUART. That is correct.

Mr. PECORA. And that expression is in a letter from your company to Mr. Samuel Insull.

Mr. STUART. Yes, sir. But it might have worked the other way. When the Senator said it might hurt the public, don't forget, or please try in all these things to keep before yourself this picture: In 1929 the public was mad for speculation. They bought anything in the way of common stock. They were not looking for safe investments, apparently, but bought anything. If they knew the name of a stock they would buy it.

The CHAIRMAN. If it was recommended by investment bankers or specialists.

Mr. STUART. It would not make any difference whether it was recommended or not. The public wanted to buy stocks. They bought them. And they paid any price for them. And in the light of what has happened since it would seem that everybody must have gone crazy. And so it is that I ask you: In discussing this thing put yourself back as things were then. Neither you nor we had any control over that.

The CHAIRMAN. Well, we have had witnesses before this committee connected with stock exchanges saying markets are not made. Now, on the other hand, here is plain evidence of the market being made by interested parties.

Mr. STUART. Well, that is a fact, anyway, of what was done here.

The CHAIRMAN. And your testimony is that markets are made by interested parties.

Mr. STUART. On this deal.

The CHAIRMAN. Well, in this case, we will say.

Mr. STUART. Yes, sir; it was maintained, whatever it was.

Senator BROOKHART. Aren't markets made that way nearly all the time? Isn't there someone whose duty it is to sustain them whenever you float a bond issue?

Mr. STUART. No; I do not recall ever making a similar arrangement before.

Senator BROOKHART. The president of the New York Stock Exchange testified in regard to an issue of \$98,000,000 of foreign bonds, floated by J. P. Morgan & Co., and said that they first got brokers to sell it, and then Mr. Whitney's own company, and he was the president of the Exchange, was to buy some of the bonds at the same time that these other brokers were selling them, and that Whitney was instructed not to let them go below 90, and that he bought back some \$10,000,000 for J. P. Morgan & Co. while they were getting rid of the bonds. Isn't that the usual method?

Mr. STUART. Well, I will say that I never had that particular type of experience.

Senator BROOKHART. Well, that was the president of the New York Stock Exchange who was testifying, and certainly he ought to know.

Mr. STUART. Well, that may be.

Senator COUZENS. What did the people have to do in order to work this out?

Mr. STUART. I do not know how it worked out.

Senator COUZENS. It is a fact, possibly, that nothing was necessary for them to do, that the public themselves maintained the market.

Mr. STUART. I think that was probably so. As I remember, those debentures were put out at par or at 99½.

Mr. PECORA. What did you acquire them at?

Mr. STUART. I would have to look that up.

Mr. PECORA. Perhaps this letter will enlighten you.

Mr. STUART. Well, they sold right afterward, or shortly afterward at 114, and there was no such manipulation or arrangement as you have suggested. They naturally sold at 114.

Senator BROOKHART. But if they had gone the other way there would have been manipulation of the market?

Mr. STUART. There might have been, but in this case there was no such thing. We acquired these \$60,000,000 of gold debentures at 94 and accrued interest.

Senator COUZENS. In other words, when you wrote that letter you had in mind that you wanted to unload those \$60,000,000 of debentures before there should be any drop in the market?

Mr. STUART. Yes. Then we were also afraid of that hectic stock market, that was going on all the time. We didn't know what would happen, and I don't think anyone else knew what would happen.

Senator COUZENS. In other words, you had fixed it so you would be able to get out no matter what happened to the market?

Mr. STUART. Oh, no, indeed; we did not.

Senator COUZENS. Why, certainly you did.

Mr. STUART. No, indeed.

Senator COUZENS. Just a minute and let me complete my question: You obliged the Insulls to maintain the market for the stock.

Mr. STUART. For four days.

Senator COUZENS. I understand, but long enough in any event for you at least to unload \$60,000,000 of debentures. Now, evidently you could have had no other intention than to oblige the Insull Co. to do that. And after the \$60,000,000 of debentures had been unloaded on the public you were not at all interested in regard to the course of the stock.

Mr. STUART. No. But, Senator, the mere fact that——

Senator COUZENS (interposing). Well, that answers it.

Mr. STUART. I was going to say that we might have been adversely affected by the stock. But it so happens that we sold.

Senator COUZENS. You got out yourself.

Mr. STUART. Well, that happened.

Mr. PECORA. This agreement between your company and Insull to maintain the market for the common stock of Insull Utility Investments (Inc.), was made at the time that your company was offering to the public \$60,000,000 of gold debentures?

Mr. STUART. Yes.

Mr. PECORA. Now, those gold debentures carried with them, didn't they, certain warrants?

Mr. STUART. Yes, sir.

Mr. PECORA. And what was the nature of those warrants in so far as they related to the common stock of the company?

Mr. STUART. May I read from this? It is the only way I can tell you.

Mr. PECORA. Surely.

Mr. STUART. This says:

Each \$1,000 debenture will carry a non-detachable warrant whereby the debenture may be surrendered at its principal amount in exchange for common stock of the company at the following prices per share: During the calendar year 1930 at \$65—

Mr. PECORA (interposing). What were the prices?

Mr. STUART. I was going to read them:

During the calendar year 1930 at \$65; during 1931 at \$72.50; during 1932 at \$87.50; during 1933 at 105; and during 1934 at 125.

This is rather long. Shall I continue?

Mr. PECORA. I think that goes far enough.

Mr. STUART. There were some other matters.

Senator BROOKHART. How far in the future does it go?

Mr. STUART. Up to 1934, five years.

Senator COUZENS. What are the debentures worth now?

Mr. STUART. Oh, practically nothing.

Senator BROOKHART. Was there any property value or earning value to base such a prediction as that upon at the time it was made?

Mr. STUART. Yes. There was an earnings statement in there.

Mr. PECORA. Do you know what the market quotation was in December of 1929 or in January of 1930, the average price during those months, on the common stock of Insull Utility Investments (Inc.)?

Mr. STUART. I do not.

Mr. PECORA. Did your company succeed in selling to the public those \$60,000,000 worth of gold debenture notes?

Mr. STUART. They were sold immediately.

Mr. PECORA. Sold within the 4-day period?

Mr. STUART. Yes.

Mr. PECORA. After Insull obligated himself to maintain the market?

Mr. STUART. Yes.

Mr. PECORA. Do you recall any other occasions when Halsey Stuart & Co. entered into any agreement or understanding with anyone else to maintain a market for the common shares of either Insull Utility Investments (Inc.), or Corporation Securities Co., of Chicago?

Mr. STUART. No; I do not. I do not recall.

Mr. PECORA. Do you know Mr. Fred H. Scheel, vice president of Utility Securities Co.?

Mr. STUART. Yes, sir.

Mr. PECORA. The Utility Securities Co. of which he was vice president was another Insull subsidiary or affiliate, wasn't it?

Mr. STUART. It was a stock-distributing company, owned by a number of Insull companies. I never saw a list of the stockholders and I do not know how it was owned.

Mr. PECORA. It was a sort of trading company, wasn't it, for the Insull interests?

Mr. STUART. I think it was a stock-distributing company. As I understand it distributed stocks.

Mr. PECORA. Will you look at this letter which I now show you, dated March 31, 1930, addressed to Mr. Fred H. Scheel, vice president of the Utility Securities Co., signed by Corporation Securities Co. of Chicago through C. T. MacNeille, secretary, and tell us if that letter does not refer to another market operation for supporting or maintaining the market for the common shares of Corporation Securities Co. of Chicago?

Senator COUZENS. Mr. Chairman, it does seem to me the committee ought to know what is in these letters before they are passed over to the witness, who is asked to comment on them.

Mr. PECORA. All right.

The CHAIRMAN. Let Senator Couzens see the letters.

Mr. PECORA. Certainly. I now want to ask that this last letter of December 31, 1929, with respect to which the witness has been questioned, be spread in full on the record.

The CHAIRMAN. There being no objection, it is so ordered.

HALSEY, STUART & Co.,
Chicago, December 31, 1929.

Mr. SAMUEL INSULL,
Chairman Insull Utility Investments (Inc.),
Chicago, Ill.

DEAR SIR: Confirming conversation with you, we have agreed to purchase, and you have agreed to sell, \$60,000,000 Insull Utility Investments (Inc.) 10-year 6 per cent gold debentures, with characteristics substantially as described in the attached proof of circular dated December 31. The purchase price is to be 94 and accrued interest to the date of delivery, such delivery to be made to us at our office in Chicago on January 20 next.

We understand that you will furnish, free of expense to us, the approving legal opinion of Messrs. Isham, Lincoln & Beale.

We also understand that you agree to maintain the market on Insull Utility Investments (Inc.) common stock at the closing price on the day prior to dealers' offerings for four business days thereafter.

If the foregoing is in accordance with your understanding, will you kindly confirm by signing and returning the attached carbon copy of this letter to us?

Yours very truly,

HALSEY, STUART & Co.

Accepted: Subject to the legally authorized increase in common stock.

INSULL UTILITY INVESTMENTS (INC.).

SAMUEL INSULL, *Chairman*.

NEW ISSUE—INSULL UTILITY INVESTMENTS (INC.)—\$60,000,000 10-YEAR 6 PER CENT GOLD DEBENTURES SERIES B (WITH CONVERSION AND STOCK PURCHASE WARRANTS)—DATED JANUARY 1, 1930, DUE JANUARY 1, 1940

Balance sheet of the Insull Utility Investments (Inc.), November 30, 1929, as certified by independent auditors

After giving effect to (a) the proposed sale of \$60,000,000 in principal amount of 10-year 6 per cent gold debentures, series B and the application of the proceeds therefrom to the liquidation of floating indebtedness incurred in the purchase of securities and the remainder added to cash and (b) the proposed increase in the amount of authorized common stock. No part of the cost of investment stocks has been transferred or assigned to the stock rights received thereon on sale or other disposition of these rights.

ASSETS

Investment securities (aggregate market value, Nov. 30, 1929, \$130,554,700.54)	\$130, 199, 900. 98
Insull Son & Co. (Inc.), capital stock	1, 250, 000. 00
Investments not yet completed	2, 513, 511. 30
Advances for purchase of securities	3, 000, 000. 00
Advances to affiliated company	7, 500, 000. 00
Subscribers to capital stock	80, 300. 00
Cash	19, 657, 789. 20
Notes receivable	300, 000. 00
Interest, dividends, and earnings receivable accrued not due ..	1, 206, 052. 42
Furniture and fixtures	6, 551. 92
Unamortized discount on debentures, organization expense, etc	3, 863, 970. 89
Reacquired securities: Prior preferred stock, without par value, 20,000 shares	1, 750, 000. 00
Total assets	<u>171, 328, 076. 71</u>

LIABILITIES

Capital stock:

Prior preferred, without par value; authorized, 250,000 shares; issued, first series \$5.50 cumulative, 60,000 shares	6, 000, 000. 00
Preferred, without par value; authorized 500,000 shares:	
Issued—	
First series, entitled to cumulative dividends as follows, 40,000 shares	4, 000, 000. 00
Year 1929, \$2.	
Year 1930, \$3.	
Year 1931, \$4.	
Year 1932, \$5.	
Each year after 1932, \$6.	
Second series \$6 cumulative, 450,000 shares	36, 000, 000. 00
Paid-in surplus arising from this issue of second series	6, 750, 000. 00
Common, without par value; authorized, 6,000,000 shares.	
Less: Reserved for sale and exchange to holders of 5 per cent gold debentures, 40 shares; prior preferred stock, 8 shares. Preferred stock, first series, 200,000 shares; second series, 360,000 shares; 6 per cent gold debentures, 2,028,000 shares; total, 3,411,952 shares.	

Capital stock—Continued.

Issued, 2,077,224 shares	\$41, 935, 166. 23
Subscribed for but not issued, 27,100 shares	325, 200. 00
Total	95, 010, 366. 23
Gold debentures:	
5 per cent, series A, due Jan. 1, 1949	\$2, 469, 000. 00
6 per cent, series B, due Jan. 1, 1940	60, 000, 000. 00
	62, 469, 000. 00
Purchase contract obligations, due 1930-31	2, 211, 300. 00
Accrued interest on gold debentures, series A	41, 150. 00
Accrued preferred dividends	731, 866. 67
Surplus (before provision for 1929 Federal income tax)	10, 864, 393. 81
Total	171, 328, 076. 71

Contingent liability as subscriber to the amount of \$4,700,000 to the Middle West Syndicate agreement.

Statement of shares of stock receivable under conversion and stock purchase warrants attached to Insull Utility Investments (Inc.), 10-year 6 per cent gold debentures, based upon cost of \$995 per \$1,000 debenture fractional shares deliverable in form of bearer scrip

SHARES RECEIVABLE

During the calendar year	Upon surrender of each \$1,000 debenture	Through purchase for cash		Total shares		Average cost per share	
		Number of shares	Cost per share	Result if debentures surrendered and stock purchased in the respective year	Result if stock purchased in 1930 and debentures surrendered and additional stock purchased in succeeding respective year	Result if debentures surrendered and stock purchased in the respective year	Result if stock purchased in 1930 and debentures surrendered and additional stock purchased in succeeding respective year
1930	15.384	10	\$65.00	25.384	10.000	\$64.804	\$65.000
1931	13.793	10	62.50	23.793	33.793	68.087	67.173
1932	11.428	10	77.50	21.428	31.428	82.602	77.001
1933	9.524	10	95.00	19.524	29.524	99.621	87.894
1934	8.000	10	115.00	18.000	28.000	119.167	99.821

¹ Purchasable only if debentures are exchanged for stock.

INSULL UTILITY INVESTMENTS (INC.),
OFFICE OF THE CHAIRMAN,
Chicago, December 1, 1929.

HALSEY, STUART & CO. (INC.).

GENTLEMEN: In connection with your purchase of \$60,000,000 10-year 6 per cent gold debentures, series B (with conversion and stock purchase warrants) of Insull Utility Investments (Inc.), I take pleasure in giving you the following information:

BUSINESS

Insull Utility Investments (Inc.), was organized under the laws of Illinois on December 27, 1928, to carry on an investment business and to acquire, hold, sell and underwrite securities of all kinds. It now owns, among other securities, substantial blocks of stock of Commonwealth Edison Co., the Peoples Gas Light & Coke Co., Middle West Utilities Co. and subsidiaries, Public Service Co. of Northern Illinois, and the entire capital stock of its subsidiary, Insull Son & Co. (Inc.).

The value of the company's assets, including securities now owned and to be acquired under existing contracts valued at market prices as of the date of this letter, is in excess of \$163,000,000.

CAPITALIZATION

(Upon completion of the present financing)

Funded debt:

5 per cent gold debentures, series A due Jan. 1, 1949, outstanding, \$2,469,000;
6 per cent gold debentures, series B (this issue), outstanding, \$60,000,000.

Capital stock:

\$5.50 prior preferred (no par value), authorized 250,000 shares; outstanding, 40,000 shares.

Preferred (no par value), authorized, 500,000 shares, first series¹ outstanding, 40,000 shares; second series, \$6, outstanding, 450,000 shares.

Common (no par value), authorized, 6,000,000 shares², outstanding, 2,304,408 shares.

DESCRIPTION OF DEBENTURES

These debentures will be dated January 1, 1930, and will be due January 1, 1940. They will be redeemable as a whole or in part at any time upon 30 days' published notice at the following prices and accrued interest: To and including December 31, 1930, at 105; thereafter less one-half per cent for each year or fraction elapsed to December 31, 1934; thereafter to and including December 31, 1938, at 101; thereafter to maturity at 100. Both principal and interest will be payable at the office or agency of the company in Chicago and New York. The interest will be payable semiannually January 1 and July 1 without deduction for Federal income taxes now or hereafter deductible at the source not in excess of 2 per cent per annum. Halsey, Stuart & Co. (Inc.), will be appointed paying agent of the company for the making of such interest payments. The debentures will be in coupon form, in the denomination of \$1,000, and will be registerable as to principal only.

Application will be made to list these debentures on the Chicago Stock Exchange.

DEBENTURE PROVISIONS

The company will covenant in each debenture that so long as any of the series B debentures are outstanding, it will not mortgage or pledge any of its assets without securing the debentures equally and ratably with the other obligations secured or to be secured by such mortgage or pledge, except that the company, without so securing the debentures, may mortgage or pledge any of its assets for the purpose of securing loans in the usual course of business for periods not exceeding one year and may mortgage or pledge property hereafter acquired to secure the purchase price thereof in whole or in part. The company will further covenant that it will neither pay cash dividends on its common stock nor redeem or purchase its capital stock of any class in whole or in part when such payment or redemption or purchase will reduce the value of its assets to less than 150 per cent of its indebtedness then outstanding. The company will also covenant that so long as any of the series B debentures are outstanding, it will not create or assume any additional indebtedness if as a result thereof its total indebtedness will exceed 50 per cent of the then value of its assets.

CONVERSION AND STOCK PURCHASE WARRANTS

Each \$1,000 debenture will carry a nondetachable warrant whereby the debenture may be surrendered at its principal amount in exchange for common stock of the company at the following prices per share: During the calendar year 1930 at \$65; during 1931 at \$72.50; during 1932 at \$87.50; during 1933 at \$105; and during 1934 at \$125. Each such warrant will also provide that in case the debenture to which it is attached is so surrendered in exchange for common stock during the year 1931 the holder thereof may simultaneously purchase 10 additional shares of common stock at \$62.50; if so surrendered during 1932, 10 additional shares of common stock at \$77.50; if so surrendered during 1933, 10 additional shares of common stock at \$95, and if so surrendered during 1934, 10 additional shares of common stock at \$115. Bearer stock scrip will be issued for fractional

¹ Maximum dividends on preferred stock, first series, are payable as follows: \$3 per share during the year 1930; \$4 per share during the year 1931; \$5 per share during the year 1932; and \$6 per share per annum after the year 1932.

² There will be reserved 360,000 shares of common stock which may be issued during the year 1931 to satisfy warrants attached to preferred stock, second series. Sufficient additional shares of common stock will also be reserved to provide against the exercise of the warrants attached to the 10-year 6 per cent gold debentures, series B.

shares and cash adjustments will be made for interest accrued on the debenture to the date of any such exchange. In addition, each \$1,000 debenture will carry a nondetachable warrant giving the holder of the debenture the unconditional right to purchase 10 shares of common stock during the year 1930 at \$65 per share. This latter warrant will be detachable in the event the debenture is redeemed prior to its exercise. Arrangements have been made with Insull, Son & Co. (Inc.), whereby all common stock of the company to which a debenture holder may be entitled through the exercise of warrants will be acquired by him from Insull, Son & Co. (Inc.), within 30 days from the date of surrender to it of the debenture or the payment of the purchase price, as the case may be. In case the company subdivides its outstanding shares of common stock into a greater number of shares, then the number of shares deliverable on the exercise thereafter of each warrant shall be proportionately increased without requiring any payment by the warrant holder in addition to the aggregate purchase price specified in the warrants.

COMMON STOCK DIVIDENDS

The company has already declared a 6 per cent dividend on the common stock out of 1929 earnings payable in common stock in quarterly instalments during 1930. The first instalment will be paid on January 15, to stockholders of record on January 1. In addition, the company has announced its intention to declare dividends of 6 per cent in common stock during 1930 out of earnings for that year of which $4\frac{1}{2}$ per cent if declared will be paid in 1930.

EARNINGS

The consolidated earnings of the company and its wholly owned subsidiary from all sources applicable to the interest charges for the calendar year 1929 with the month of December partly estimated, amounted to \$12,227,232.85 as against which the annual interest requirements on all debentures to be presently outstanding will be \$3,723,450. These figures are not necessarily a true reflection of the earnings of the company inasmuch as they do not include income on all the securities that will be owned upon the completion of this financing nor on approximately \$19,500,000 of free cash that will be in the Treasury. On the other hand, they do include an unusually large sum received during the year, representing proceeds of the sale of stock rights, which, while recurring, may not always realize the same amount. The estimate for 1930 indicates net earnings of at least \$13,450,000 available for interest, which may be considered as a more accurate reflection of the present earning capacity of the company. This latter figure is based upon proceeds of the sale of rights on an average of the past five years and from the receipt of stock dividends taken at the present market.

PURPOSE OF ISSUE

The proceeds of this financing will furnish sufficient funds to pay off all current indebtedness and acquire all securities now contracted for, and will further provide the company with a substantial cash sum.

OFFICERS AND DIRECTORS

The following are the officers of the company: Samuel Insull, chairman; Samuel Insull, jr., president; Martin J. Insull, vice president; P. J. McEnroe, secretary and treasurer; John F. O'Keefe, assistant secretary and assistant treasurer.

The following are the directors of the company: Walter S. Brewster, of Russell, Brewster & Co.; Britton I. Budd, president, Public Service Co. of Northern Illinois; Edward J. Doyle, vice president, Commonwealth Edison Co.; Louis A. Ferguson, vice president Commonwealth Edison Co.; John F. Gilchrist, vice president Commonwealth Edison Co.; John H. Gulick, vice president, Commonwealth Edison Co.; Martin J. Insull, president Middle West Utilities Co.; Samuel Insull, president Commonwealth Edison Co.; Samuel Insull, jr. president Midland United Co.; P. J. McEnroe, secretary and treasurer Insull Utility Investments (Inc.); George F. Mitchell, vice president the Peoples Gas Light & Coke Co.; Stuyvesant Peabody, president Peabody Coal Co.; Marshall E. Samsell, president Central Illinois Public Service Co.; H. L. Stuart, president Halsey, Stuart & Co. (Inc.); Waldo F. Tobey, of Isham, Lincoln & Beale.

Your attention is called to the accompanying balance sheet of November 30, 1929.

Very truly yours,

_____, *Chairman.*

These debentures are offered for delivery when, as and if issued and accepted by us and subject to the approval of counsel. It is expected that definitive debentures will be ready for delivery by Halsey, Stuart & Co. (Inc.) on or about ----- All statements herein are official or are based on information which we regard as reliable and while we do not guarantee them, we ourselves have relied upon them in the purchase of this security.

Chicago, Ill., December —, 1929.

Senator COUZENS. How does the committee know what is in a letter which is handed to the witness, and whether he interprets it correctly or not?

Mr. PECORA. I will have that other letter spread on the record after the witness identifies it.

Senator COUZENS. All right.

Mr. PECORA. Mr. Stuart can you now answer that question?

Mr. STUART. This letter of March 31, 1930, addressed to Mr. Fred H. Scheel, vice president, Utility Securities Co., has nothing to do with Halsey, Stuart & Co. It is an agreement between Corporation Securities Co. of Chicago and Utility Securities Co.

Mr. PECORA. Halsey, Stuart & Co. had a major interest in the Corporation Securities Co. of Chicago.

Mr. STUART. We owned a million shares of common stock.

Mr. PECORA. You had what Halsey, Stuart & Co. described in its bulletin to its salesmen, which was spread on the record this morning as a major interest.

Mr. STUART. We had a large interest. But this agreement does not refer to that issue.

Mr. PECORA. You were president of Corporation Securities Co. and also of Halsey, Stuart & Co.?

Mr. STUART. Yes, sir.

Mr. PECORA. In your opinion does this letter relate to another agreement to maintain or support the market for the securities of Corporation Securities Co. of Chicago?

Mr. STUART. Oh, it does as between Corporation Securities Co. and the other company, but not as to Halsey, Stuart & Co. at all.

Senator COUZENS. In this letter that is addressed to Utility Securities Co., dated March 31, 1930, it says, in the second paragraph:

Corporation Securities Co. of Chicago will protect the market on its allotment certificates between \$69.50 and \$70 per unit.

Then it goes on and makes the statement, in paragraph 3, that:

You are to purchase from Insull, Son & Co. (Inc.) and Corporation Syndicates (Inc.), jointly 1,250,000 shares of common stock of Corporation Securities Co. of Chicago at \$25.50 per share net to the sellers.

What is the difference between this reference to common stock shares and the allotment certificates?

Mr. STUART. The allotment certificates included one share of preferred and one share of common. They were together. And the common stock was something else all by itself.

Senator COUZENS. What relation did the allotment certificates have to the common shares, making it necessary to maintain the price at two or three times that of the common stock?

MR. STUART. There was preferred stock in the allotment certificates.

SENATOR COUZENS. Why was it necessary to maintain that price?

MR. STUART. I do not know. I suppose the Utility Securities Co. figured out that there would have to be that sort of spread between the price they paid and the market price on the allotment certificates. But that is merely a guess on my part.

SENATOR COUZENS. On that basis you would figure the preferred share at about \$44 a share, if that was the spread?

MR. STUART. That is the way it would figure out there. It was a \$3 stock.

MR. PECORA. Mr. Chairman, I also ask that there be spread on the record the letter of Corporation Securities Co. of Chicago to Fred H. Scheel, vice president of Utility Securities Co., dated April 3, 1930, which refers to the previous letter of March 31, 1930; and both of them be made a part of the record.

THE CHAIRMAN. There being no objection, it is so ordered.

CORPORATION SECURITIES CO. OF CHICAGO,
Chicago, March 31, 1930.

MR. FRED H. SCHEEL,
Vice President Utilities Securities Co.,
Chicago, Ill.

DEAR SIRS: Confirming the writer's verbal understanding with you to-day, you will enter into a contract with Insull, Son & Co. (Inc.) and Corporation Syndicates (Inc.), jointly, which will include the following provisions:

First, Corporation Securities Co. of Chicago will immediately apply for the listing of 2,500,000 shares of its common stock and if the listing is accepted and we have had no advices to lead us to believe otherwise, trading will commence on Thursday, April 3, next, you to name the specialist who will handle the stock, and take care of all market operations at your own expense and in connection therewith you agree to maintain a market for the common stock between \$27 and \$28 per share.

Second, Corporation Securities Co. of Chicago will protect the market on its allotment certificates between \$69.50 and \$70 per unit until you complete the sale of the 1,250,000 shares of common stock of Corporation Securities Co. of Chicago, which you are purchasing but in no event for a period exceeding 90 days from this date and further provided that in so doing it is not required to purchase in the aggregate over 100,000 units.

Third, you are to purchase from Insull, Son & Co. (Inc.) and Corporation Syndicates (Inc.), jointly, 1,250,000 shares of common stock of Corporation Securities Co. of Chicago at \$25.50 per share net to the sellers.

Fourth, you are to be given the privilege by Insull, Son & Co. (Inc.) and Corporation Syndicates (Inc.) to make payment for your purchases as above set forth during a period of 60 days after the date of the public offering but in no event for a longer period than 90 days from the date of this letter. Deliveries to you of said stock will be in such amounts and on such dates as you may designate within the period above specified.

Fifth, in consideration of your entering into an agreement as above set forth, Corporation Securities Co. of Chicago hereby gives you an option to purchase from it all or any part of 250,000 shares of common stock of Corporation Securities Co. of Chicago at a price of \$25.50 per share net to the seller, said option to extend for a period of 30 days beyond the date on which you complete the selling of the original purchase of 1,250,000 shares, but in no event for a period exceeding 120 days from the date of this letter.

Will you kindly confirm this understanding by signing and returning the accompanying carbon copy of this letter?

Yours very truly,

CORPORATION SECURITIES CO. OF CHICAGO,
By C. T. MACNEILLE.

The above and foregoing is correct in accordance with our understanding.

UTILITY SECURITIES CO.,
By FRED H. SCHEEL.

CORPORATION SECURITIES CO. OF CHICAGO,
Chicago, April 3, 1930.

Mr. FRED H. SCHEEL,
Vice President Utility Securities Co., Chicago, Ill.

DEAR SIR: Please refer to the second paragraph in our agreement with you incorporated in our letter of March 31, which reads as follows:

"Second, Corporation Securities Co. of Chicago will protect the market on its allotment certificates between \$69.50 and \$70 per unit until you complete the sale of the 1,250,000 shares of common stock of Corporation Securities Co. of Chicago, which you are purchasing but in no event for a period exceeding 90 days from this date and further provided that in so doing it is not required to purchase in the aggregate over 100,000 units."

And consider this letter as our confirmation of your telephone conversation with the writer wherein he requested you to handle the market of said allotment certificates in accordance with the terms of said paragraph for the account of Corporation Securities Co. of Chicago pending instructions from us to the contrary.

It is our understanding that in your judgment it may be to our advantage to pay slightly above \$70 per unit for small amounts in special cases from time to time and that in so doing, it will reduce the aggregate number of units that might otherwise be necessary for us to purchase in accordance with the terms of our agreement with you. Under these circumstances we are willing to authorize you to make such purchases from time to time if in your judgment they are fully justified.

You will please have either Miss Carden or Miss Brown in the writer's organization advised by telephone at the close of the market each day of such purchases as you have made and confirm such oral advices by letter.

Will you please signify your willingness to handle the market in accordance with the foregoing letter by signing and returning the carbon copy inclosed?

Yours very truly,

CORPORATION SECURITIES CO. OF CHICAGO,
By C. T. MACNEILLE.

Accepted.

UTILITIES SECURITIES CO.

Mr. PECORA. Mr. Stuart, do you recall any other occasion when Corporation Securities Co. of Chicago or Insull Utility Investments (Inc.), or any of their subsidiaries or affiliates, entered into any understanding or agreement to maintain or support the market for the common shares of these two companies?

Mr. STUART. I do not recall it.

Mr. PECORA. Let me show you, Mr. Stuart, this printed form of syndicate agreement, bearing date August 15, 1930, by and between Insull, Son & Co. (Inc.), called the "syndicate manager" and certain subscribers called the "subscribers" and Insull Utility Investments (Inc.), party of the third part. Will you look at that printed form and tell us if that recalls to your mind the fact that in August of 1930 there was another syndicate agreement, to which Insull Utility Investments (Inc.) was a party, calling for the supporting or maintaining of the market for the common shares of that corporation?

Mr. STUART. I think I remember this.

Mr. PECORA. Do you know who the subscribers were to that agreement? That is, those persons that are collectively termed the syndicate?

Mr. STUART. I do not know.

Mr. PECORA. Were you one of them?

Mr. STUART. I doubt it. It might be that Halsey, Stuart & Co., were subscribers.

Mr. PECORA. I was going to ask you that for the next question.

Mr. STUART. They might have subscribed, but I do not remember being in on any syndicate list.

Mr. PECORA. Were you familiar with the operations of that syndicate account?

Mr. STUART. No, sir.

Mr. PECORA. Do you know anything about it?

Mr. STUART. No; I do not know anything about it.

Mr. PECORA. You recognize from that printed form I handed you that there was such a syndicate agreement initiated and consummated, do you not?

Mr. STUART. I think I do; yes, sir.

Mr. PECORA. Mr. Chairman, I ask that the form of syndicate agreement be spread on the record.

Senator COUZENS (presiding). Without objection it is so ordered.

(A printed form headed "Insull Utility Investments, Syndicate Agreement" will here be printed in the record, as follows:)

INSULL UTILITY INVESTMENTS, SYNDICATE AGREEMENT

This agreement, dated August 15, 1930, by and between Insull, Son & Co. (Inc.), an Illinois corporation (hereinafter called the "syndicate manager"), party of the first part, the subscribers hereto (hereinafter called severally the "subscribers" and collectively the "syndicate"), parties of the second part, and Insull Utility Investments (Inc.), an Illinois corporation (hereinafter called the "investments company"), party of the third part, witnesseth:

Whereas the investments company pursuant to a resolution of its board of directors adopted at a meeting of said board on July 28, 1930, is offering for subscription to the holders of its outstanding stock of all classes, 600,000 shares of the common stock of the investments company at a price of \$50 per share; and

Whereas the investments company has requested the syndicate manager to form a syndicate to purchase so many of said shares of common stock, if any, as shall not be subscribed, pursuant to the terms of said offer, by the persons entitled to subscribe therefor and to purchase in the market shares of the common stock of the investments company and the subscription rights with respect thereto; and

Whereas the syndicate manager and the subscribers desire to form a syndicate for said purposes and the investments company and the syndicate desire to enter into an agreement fixing the terms of such purchase and the conditions with respect to supporting the market for such shares and such rights and the compensation to be paid to the syndicate;

Now, therefore, in consideration of the premises and of the mutual undertakings herein contained, the parties have agreed and do agree as follows:

First. The subscribers hereby form a syndicate for the purpose (1) of purchasing from the investments company so many of said 600,000 shares of common stock of the investments company to be offered to its stockholders pursuant to said resolution as shall not be subscribed by the persons entitled to subscribe therefor and (2) of purchasing in the market shares of the common stock of the investments company and subscription rights with respect thereto, all upon the terms and conditions provided in the agreement between the investments company and the syndicate manager set forth in paragraph 10 hereof. Insull, Son & Co. (Inc.) is hereby appointed the syndicate manager of the syndicate. The subscribers hereto severally subscribe and agree to pay to the syndicate manager at its office, 20 North Wacker Drive, Chicago, Ill., the amounts set opposite their respective names. Each subscriber shall make payment of his subscription as follows: Five per cent of the amount of his subscription shall be paid when and as called for by the syndicate manager after this agreement shall have been declared by the syndicate manager to be in effect and the remainder of each subscription shall be paid from time to time when and as called for by the syndicate manager but only after notice to the subscribers of not less than five days as to each call. The several subscribers shall be called upon to make payment of their subscriptions only ratably according to the several amounts thereof; but to the full extent of his undertakings each subscriber shall be responsible regardless of performance or nonperformance by any other subscriber. In the same proportion, except as otherwise herein provided, each subscriber shall be

entitled to share in the benefits and shall bear any loss resulting to the syndicate under this agreement. Nothing herein contained shall constitute the parties hereto partners or shall render any one of the subscribers liable to contribute more than the amount of his several subscriptions.

Second. In case of the failure of any subscriber promptly to perform any of his undertakings hereunder, the syndicate manager, in behalf of itself and the syndicate, shall have, and at its sole and exclusive option may exercise, the right to exclude such subscriber from all interest in or under the syndicate; and in the discretion of the syndicate manager, without any proceedings either at law or in equity, in such manner and on such terms as it shall deem expedient, and without demand or notice, it may at public or private sale dispose of such participation hereunder or of any interest or right of such subscriber hereunder, and thereupon all interest and right of such defaulting subscriber hereunder shall cease and determine. At any public sale under this article of any interest or right of any subscriber or his transferee, the syndicate manager, or any party hereto, may become purchaser for its, or for his, own benefit, without accountability. Notwithstanding any sale, whether public or private, the defaulting subscriber shall be responsible to the syndicate manager for the benefit of the syndicate for all damages resulting from any such failure on his part not exceeding the amount unpaid on his subscription hereto with lawful interest.

Third. The subscribers nominate and appoint the syndicate manager their agent and attorney, with full power and authority to do any and all acts and things and to enter into and execute any and all agreements or other instruments necessary, proper or expedient in the premises to carry out and perform this agreement according to its true intent and meaning. The syndicate manager is expressly authorized and directed for the account of the syndicate to purchase upon all the terms and conditions stated in paragraph 10 hereof, and subject to the express limitations in said paragraph contained, shares of the common stock of the investments company and subscription rights with respect thereto and in general shall have full power and authority to carry out the undertakings and agreements of the syndicate manager with the investments company, all as provided in said paragraph 10 hereof. The syndicate manager shall also have full power and authority to exercise subscription rights acquired by it and in its discretion to sell, at one time or from time to time, the shares of common stock and rights of the investments company held for the account of the syndicate in such manner and at such price or prices as the syndicate manager may deem expedient. All sales shall be for the account of the syndicate and the proceeds therefrom may be applied to any of the purposes of this agreement. The syndicate manager may make advances or may borrow money for the account of the syndicate as from time to time it may deem expedient for any of the purposes of this agreement and may pledge any stock or property of the syndicate, including the obligations of the respective subscribers hereunder, as security for moneys borrowed.

Fourth. All dividends payable on any stock held for the syndicate may be collected and received by the syndicate manager for the account of the syndicate. The syndicate manager shall have authority to vote all stock held by it for the account of the syndicate at any and all meetings of the investments company. The syndicate manager shall be the sole manager of the syndicate, and in behalf of the syndicate may make any and all arrangements and do and perform any and all acts, even if not herein provided for, that in its opinion shall be or may become necessary or expedient in order to consummate the purposes of this agreement or to promote or protect what the syndicate manager shall deem to be the best interests of the syndicate. The enumeration of specific powers in any paragraph of this agreement shall not be construed as in any way abridging the general powers by this or any other paragraph intended to be conferred upon or reserved to the syndicate manager.

Fifth. As compensation for its services hereunder the syndicate manager shall be paid a fee of one-tenth of 1 per cent of the aggregate subscription price of the number of shares underwritten by the syndicate. The syndicate manager shall have authority, from time to time and at any time, to incur such expenses as it may deem proper in carrying out, or in endeavoring to carry out, this agreement, or in doing any act or thing which it may deem to be in the interest of the syndicate. All expenses incurred hereunder by the syndicate manager and the fee of the syndicate manager hereinbefore provided for shall be paid out of moneys of the syndicate in the hands of the syndicate manager and shall be a prior charge in favor of the syndicate manager upon any and all moneys, stocks, and property received or held hereunder for the syndicate.

Sixth. The syndicate manager shall, by notice to the subscribers, declare this agreement in effect and operative when and not before subscriptions, approved by the syndicate manager, for a total of \$30,000,000 shall have been made hereunder. Unless \$30,000,000 shall have been subscribed for hereunder on or before August 25, 1930, this agreement on that date shall be and become void and of no effect. This agreement shall continue in force and operation until December 15, 1930, but the syndicate manager may in its discretion extend the same to a date not later than March 16, 1931, in which event this agreement shall continue in force until such extended date, provided that the syndicate manager may in its uncontrolled discretion terminate this agreement at any time before its termination under the foregoing provisions. Upon the termination of this agreement and after first paying all expenses and liabilities incurred hereunder, including the fee provided for in paragraph 5 hereof, the syndicate manager shall pay over, assign, and distribute to the subscribers all shares of common stock then remaining in the hands of the syndicate manager and all remaining cash and other assets then held hereunder, such distribution and payment to be made ratably in the proportion of the several amounts subscribed hereunder by the subscriber, except only that in lieu of the distribution of fractional shares of stock, adjustments shall be made in cash, on the basis of the average cost to the syndicate of all shares purchased on its account. No subscriber shall be entitled to receive any stock, or the proceeds thereof, held for the syndicate under this agreement until the termination of the syndicate under the provisions hereof.

Seventh. The syndicate manager shall not be liable under any provision of this agreement, or for any matter therewith connected, except for lack of good faith in performing the obligations by it herein expressly assumed, the implication of any obligation not herein expressly assumed by it being hereby expressly denied and waived. It is understood that, in the same manner as other subscribers, the syndicate manager and/or the investments company may become subscribers hereto; that as such subscribers they shall be liable for any subscriptions by them made; and that in all respects they shall be entitled to the same rights and benefits as any other subscribers.

Eighth. Each subscriber shall set opposite his subscription hereunder an address to which notices, calls or other communications may be sent, and any notice, call or other communication addressed to any subscriber at the address so given, and either left at such address or mailed, shall be deemed actually given to such subscriber and shall be sufficient for all the purposes hereof. If any subscriber shall fail so to furnish his address to the syndicate manager he shall not be entitled to any notice of calls or offers or any other notice hereunder and he shall be deemed to assent to any action of the syndicate manager.

Ninth. The syndicate manager shall issue to the several subscribers suitable receipts in respect of moneys paid or advanced hereunder, or certificates of interest of such tenor and form as it may deem suitable. Such certificates of interest and all rights and obligations hereunder of the respective subscribers may be made transferable in such manner and on such terms and conditions as the syndicate manager may prescribe; but no transfer hereunder shall be valid unless assented to in writing by the syndicate manager, and, unless otherwise expressly provided in such assent, the transferor shall continue to be liable for the payment of the unpaid part of the transferred subscription until the same shall be fully paid.

Tenth. (a) The investments company hereby agrees to sell to the syndicate and the syndicate manager hereby agrees to purchase from the investments company for and on behalf of the syndicate, at the price of \$50 per share, such number of said 600,000 shares of common stock of the investments company to be offered for subscription to its stockholders pursuant to the resolution of July 28, 1930, as shall not be subscribed for on or before September 15, 1930, pursuant to the offer of subscription, by the persons entitled to subscribe therefor. For the shares purchased hereunder the syndicate manager shall pay the investments company under one or both of the two following plans, to-wit: (1) in one payment of \$50 per share on September 15, 1930; or (2) in 10 equal installments of \$5 per share each, one on September 15, 1930, and one on the 15th day of each of the nine calendar months in the period commencing with the month of October, 1930, and ending with the month of June, 1931 (except that the February and March, 1931, installments shall be payable on the 16th instead of the 15th of those months). Any installment may be prepaid at any time. The number of shares to be paid for under each of said plans shall be determined by the syndicate manager and within five days after September 15, 1930, the syndicate manager shall notify the investments company of the number of shares to be paid for

under each of said plans. As to all shares agreed to be purchased hereunder with respect to which such notice shall not be given, the syndicate manager shall be conclusively deemed to have selected the 10-payment plan. Deliveries of any of the shares purchased shall be made from time to time as desired by the syndicate manager upon full payment to the investments company at its office for the shares delivered. In the case of all shares paid for in installments the investments company shall pay to the syndicate manager interest to the ex-dividend date next preceding the date of issue, upon all installments paid prior to such preceding ex-dividend date, at the rate of 4 per cent per annum. Ex-dividend dates, hereinabove referred to, are as follows: September 30, 1930, December 15, 1930, and March 15, 1931.

(b) The syndicate manager agrees to support the market for shares of the common stock of the investments company and the subscription rights with respect thereto, making use, to the extent required for the purpose, of all the means and resources available to it as syndicate manager hereunder, provided that no purchase need be made on the market on behalf of the syndicate at a price in excess of \$57.50 per share for shares of said common stock or in excess of \$1.50 per right for rights issued to holders of common stock or in excess of \$0.68 per right for rights issued to holders of preferred stock, and provided further that the obligation to support the market, as herein expressed, shall terminate upon the termination of this agreement or whenever prior thereto a total of 120,000 shares or the equivalent thereof in rights, shall have been purchased in the market by the syndicate manager. For the purpose of this subparagraph (b) five fractional rights issued to holders of common stock or 11 fractional rights issued to holders of preferred stock shall be taken as equivalent to one share.

(c) The investments company, in consideration of the agreements of the syndicate manager in this paragraph 10 contained, and as compensation to the syndicate for its undertakings herein, shall pay to the syndicate manager for the account of the syndicate the sum of \$600,000, being at the rate of \$1 for each share of common stock underwritten by the syndicate and \$1.50 for each share of stock or the equivalent thereof in rights (but not to exceed 120,000 shares) purchased by the syndicate manager pursuant to the provisions of subparagraph (b) of this paragraph 10. Such payment shall be made on or prior to the termination of this agreement at the option of the investments company.

(d) This agreement between the investments company and the syndicate manager may be modified by their mutual consent in any respect except as to the purchase price of the stock and the compensation to be paid to the syndicate manager.

Eleventh. This agreement shall bind, and is for the benefit of, the parties hereto and their successors, executors and administrators, severally and respectively.

In witness whereof, the syndicate manager has caused this agreement to be executed in its corporate name by its proper officers under its corporate seal, and the investments company, to evidence the undertakings and agreements made by it as expressed in paragraph 10 hereof, has caused this agreement to be executed in its corporate name by its proper officers under its corporate seal, and the subscribers at various dates have made their subscriptions hereto, it being understood that for convenience this agreement may be subscribed in several parts and copies with like force and effect as though all the subscriptions were upon one part or copy thereof.

INSULL, SON & Co. (INC.),
By E. V. GRAHAM,
Vice President.

Attest:

M. E. CARNEY,
Assistant Secretary.

INSULL UTILITY INVESTMENTS (INC.),
By SAMUEL INSULL, Jr., President.

Attest:

JOHN F. O'KEEFE,
Secretary.

Mr. PECORA. Mr. Stuart, this last syndicate agreement related to a transaction involving the marketing of 600,000 shares of the common stock of Insull Utility Investments (Inc.), didn't it?

Mr. STUART. That is what it said.

Mr. PECORA. You would call that a major market operation, wouldn't you?

Mr. STUART. I call it a large amount, but it is a new stock, isn't it? It is not maintaining an outstanding stock.

Mr. PECORA. Look at it again and let it refresh your recollection in whatever way it will do so.

Senator COUZENS. What is counsel trying to do? To prove by this witness that the market is rigged or maintained without customer demand?

Mr. PECORA. Yes, sir; that the market is artificially stimulated in that manner.

Mr. STUART. I should say that this was a new stock.

Mr. PECORA. A new stock that was to be put out by Insull Utility Investments (Inc.).

Mr. STUART. That is what I take it to be here.

Mr. PECORA. New shares of common stock.

Mr. STUART. New shares of common stock.

Senator BROOKHART. But it was the same stock as the old stock, wasn't it?

Mr. STUART. The same kind of stock.

Senator BROOKHART. Stock that had not been marketed before.

Mr. STUART. This was new money, stock that evidently had not been sold before.

Senator BROOKHART. Was that a new stock issue?

Mr. STUART. Yes, sir; a new issue, but the same grade of stock as the other, undoubtedly.

Mr. PECORA. It was an issue of 600,000 additional shares of common stock of the same kind as had been previously issued.

Mr. STUART. I take it that is so.

Senator BROOKHART. And this syndicate agreement was to maintain the price while it was being put off on the public, was it?

Mr. PECORA. Mr. Stuart, did you hear Senator Brookhart's question?

Mr. STUART. Yes, sir. But let me read this. Just excuse me for a minute while I read this.

Mr. PECORA. All right.

Mr. STUART. Yes; it is provided in this agreement for the maintenance of the market and the right to acquire up to 120,000 shares of stock at not to exceed 57½.

Senator BROOKHART. And that means that the members of the syndicate would bid the price up to that level all the time and keep it there.

Mr. STUART. Yes, sir. Of course, a syndicate manager who handles a thing like this, it is his job to sell 600,000 shares of stock. Now, in the process of doing that he is permitted to buy back 120,000.

Mr. PECORA. 120,000 shares, you mean.

Mr. STUART. Yes, sir; that is the way I read this.

Senator BROOKHART. He can buy back that much in order to maintain the price on the 600,000 shares?

Mr. STUART. Yes, sir.

Senator BROOKHART. And of course he sells the 120,000 shares again?

Mr. STUART. Yes, sir.

Senator BROOKHART. So that it is all cleaned up at the end and the public has paid the higher price.

Mr. STUART. Yes, sir; that may be so.

Mr. PECORA. Mr. Stuart, let me call your attention to the minutes of the finance committee of Insull Utility Investments (Inc.), at a meeting held on April 7, 1930, which read as follows at page 142 of the minutes:

The chairman stated that the company had purchased during the last few months a substantial number of allotment certificates of the Corporation Securities Co. of Chicago, and explained that as a result of the offering of common stock of Corporation Securities Co. of Chicago, that company had undertaken to support the allotment certificate market for a period of about three months, and he wondered therefore whether the company should continue to purchase those allotment certificates. After full discussion of the subject it was agreed that the company would discontinue purchasing allotment certificates of Corporation Securities Co. of Chicago for the time being.

That relates to the transaction set forth in the letters of March 31, 1930, and April 3, 1930, that passed from the Corporation Securities Co. of Chicago to Mr. Fred H. Scheel, vice president of the Utility Securities Co., doesn't it?

Mr. STUART. Did you say Utility Securities Co.?

Mr. PECORA. Yes.

Mr. STUART. I do not know but presume it does.

Mr. PECORA. I mean this excerpt that I have read from the minute book of the company.

Mr. STUART. I do not know that myself.

Mr. PECORA. Do you recall any other occasion when the Insull Utility Investments (Inc.) or the Corporation Securities Co. of Chicago entered into any agreement, arrangement, or understanding with anyone else with respect to supporting or maintaining the market for the common shares of either of those companies?

Mr. STUART. No; I do not recall.

Mr. PECORA. Would you say there were any others?

Mr. STUART. I would not say there were not others. I say I do not recall.

Mr. PECORA. These three or four that I have brought to your notice in the last few minutes you were unable to recall at the outset.

Mr. STUART. The only one was where we bought the Insull debentures. The others I did not recall at all.

Mr. PECORA. Mr. Stuart, do you think that is a fair practice, fair to the investing public, for corporations to indulge in, when issuing and offering their securities to the investing public?

Mr. STUART. Oh, yes; I think it is necessary. If a corporation is going to borrow large amounts of money they must make it possible to sell the securities.

Mr. PECORA. In order to make it possible to sell the securities you think it is justifiable to maintain a syndicate agreement to produce artificial stimulation and activity in the market for those securities?

Mr. STUART. Well, but it might not be an artificial stimulation. Stocks sometimes go the other way, you know.

Mr. PECORA. Well, then, the stimulation has had the wrong effect, not the desired effect, but the intent is to produce artificial stimulation.

Mr. STUART. I would not put it that way. I would put it as some kind of base, to have a solid base to sell securities on.

Mr. PECORA. By having a solid base don't you really mean to establish a price and maintain it over a period of time during which the corporation is offering the securities to the public?

Mr. STUART. Yes, sir; I think that is necessary and desirable, and I think it has to be done in large financial transactions in some cases.

Mr. PECORA. Do you think it desirable for the investing public or the corporations?

Mr. STUART. I think it is desirable in order to raise money.

Mr. PECORA. That is, desirable for the company issuing the securities, but not for the investing public; isn't that so?

Mr. STUART. Well, I do not think I would agree with you there. You take these same Insull Utility Investments debentures we are talking about, and there was a clause in there which says "Maintain the market." In talking about that here we seem to have been under the idea that that was something that was artificially maintained to unload something on the public. I think that was the expression used. As a matter of fact, those debentures went up to 114.

Mr. PECORA. After your house had put them out.

Mr. STUART. After the issue. So that unless there had been a demand from the public for the stock, which helped to send the debentures up, why, they would not have gone to 114.

Mr. PECORA. How long after your house sold them to the public until they went up to 114?

Mr. STUART. I could not answer that.

Mr. PECORA. Was it a long time or a short time?

Mr. STUART. I would say a comparatively short time.

Mr. PECORA. What do you mean by that, about what period of time?

Mr. STUART. If I were guessing at it I would say within six weeks.

Mr. PECORA. Your company bought those debentures at 94 and accrued interest?

Mr. STUART. I think that is the price stated; yes, sir.

Mr. PECORA. And it disposed of them within three or four days to the public at 100?

Mr. STUART. I think the stated price was 99½.

Mr. PECORA. In the circulars that your company put out offering those shares to the public at 99½ or 100, whichever it was, did your company indicate to the public the price at which your company had acquired or underwritten those debentures?

Mr. STUART. No, sir.

Senator BROOKHART. You say it is necessary to protect the price in all cases where you are selling debentures or bonds in that way? Is that right?

Mr. STUART. Yes; in large amounts. If you deal with a very large amount of securities, such as \$60,000,000, which after all is a very large amount—

Senator BROOKHART (interposing). You do not rely on the market to maintain the price?

Mr. STUART. No. It is merchandise that has to be sold.

Senator BROOKHART. Why isn't that about the same thing as I described as coming from J. P. Morgan & Co. in the case of foreign bonds, the price of which was maintained by Mr. Whitney, president of the New York Stock Exchange, or the firm of which he was a member? Why isn't it the same deal?

Mr. STUART. Perhaps there may be the same principles underlying them, but in this particular case the debentures you see had warrants to buy stock attached to them.

Senator BROOKHART. Well, take the most of your business, and that is the selling of bonds, isn't it?

Mr. STUART. Entirely the selling of bonds.

Senator BROOKHART. Well, now, do you underwrite those bonds?

Mr. STUART. Oh, yes.

Senator BROOKHART. Well, then, do you have the market protected in each case?

Mr. STUART. Well, the question does not come up unless it is a very large transaction.

Senator BROOKHART. And you have very large transactions?

Mr. STUART. Yes, sir. But I say that question of protecting the market comes up very infrequently.

Senator BROOKHART. But when you have these large transactions it does come up?

Mr. STUART. And you must do something to protect the market, and you do it one way or the other: You make a trade with the company whereby it protects the market, or the company gives you more commission in order for you to protect yourself. It costs something to do that.

Senator BROOKHART. You go in, or the company with which you have dealt goes in and keeps the price of the bonds up to the agreed price, and you do not let them fall below that price on the market until you have finally disposed of the issue?

Mr. STUART. Yes; that is about the way it goes.

Senator BROOKHART. And that is the way you do it in every case that is a big and important issue.

Mr. STUART. Yes, exactly. That is the accepted practice. You could not sell securities without you did some such thing.

Senator BROOKHART. In other words, you can not resell them there upon the market until you have rigged the market to dispose of them?

Mr. STUART. You have to have something on which an organization can go out and dispose of all the bonds. Once they are finally placed then there is a free and open market, because the transactions are small, may be a few thousands dollars every day.

Senator BROOKHART. In this case the market went up, but in the case I referred to a while ago after the support was withdrawn they went down promptly.

Mr. STUART. The market goes both ways.

Senator BROOKHART. I think in Mr. Whitney's case it dropped from 90 to 86 the first day after he quit maintaining the market. And when he was testifying here they were down to 32.

Mr. STUART. That may be.

Mr. PECORA. Mr. Stuart, when your company undertook and did sell the \$60,000,000 par value of debentures of Insull Utility Investments (Inc.), it marketed those debentures through groups of dealers, did it not?

Mr. STUART. Yes.

Mr. PECORA. And were not confidential advices sent out by your company to those dealers for their guidance and instruction given with respect to the marketing of those \$60,000,000 of debentures?

Mr. STUART. I think so; yes, sir.

Mr. PECORA. I show you this printed paper, and I ask you if that is a printed paper containing such confidential advices to dealers.

Mr. STUART. Yes, sir; it is.

Mr. PECORA. I will read a paragraph from this printed paper:

The selling group members will have the privilege of trading in these debentures with other members of the group at the list price less any part of the selling commission. This privilege, however, is to be exercised only between members of the selling group. The public offering price must be maintained on all sales or resales to other than members of the selling group.

Halsey, Stuart & Co. were the selling group managers in this undertaking, were they not?

Mr. STUART. Yes, sir.

Mr. PECORA. Mr. Chairman, I ask that that be spread in full on the record.

Senator COUZENS (presiding). There being no objection it is so ordered.

(A photostatic copy of a circular headed "Confidential Dealers' Offering, \$60,000,000 Insull Utilities Investments (Inc.) 10-Year 6 per cent Gold Debentures, Series B, With Conversion and Stock Purchases Warrants," is here furnished in the original transcript to be printed in the record as follows:)

\$60,000,000 INSULL UTILITY INVESTMENTS (INC.), 10-YEAR 6 PER CENT GOLD DEBENTURES, SERIES B, WITH CONVERSION AND STOCK PURCHASES WARRANTS, DUE JANUARY 1, 1940

(Selling group, confidential dealers' offering)

NEW YORK, January 2, 1930.

We have purchased and will offer, if, when and as issued and received by us, and subject to the approval of counsel, the above debentures which are more fully described in the inclosed circular. The public advertisement will appear on Monday, January 6, 1930, and the price is to be 99½ and interest yielding about 6.07 per cent. A concession of ¼ per cent may be allowed to banks, dealers and institutions. No modifications of the above terms may be allowed unless authorized by the selling group managers, who reserve the right to make such modifications, as they may deem advisable for the interests of the offering.

We are forming a selling group to distribute these debentures in which we invite you to participate. The price to the selling group will be 96½ and interest, which allows you a gross profit of 3 per cent against which expenses not to exceed ½ per cent may be charged.

Definitive debentures are expected to be ready for delivery on or about January 20, 1930, against payment at the Chicago office of Halsey, Stuart & Co. (Inc.), in Chicago funds, at 99½ and interest.

Under this agreement we reserve the right to withhold delivery of 10 per cent of the amount of debentures allotted to selling group members during the life of the selling group.

The selling commission will be payable following the termination of the group, except on such debentures as may be repurchased or contracted for by us in the market at or below full list price and interest, prior to the termination of the group. On such debentures we reserve the right to retain the entire selling commission and, in addition, to charge members \$2 broker's commission per \$1,000 debenture in instances where such commission has been paid by us. In lieu thereof we may redeliver such debentures to members of the group, at the cost to us, even though debentures against such purchases may not be delivered to us until after the termination of the group. In the event we exercise the option to require members to take up such repurchased debentures from us at cost, we reserve the right to deliver any numbers, even though not the ones originally delivered to them. The selling group will expire at the close of business March 3, 1930, but we reserve the right in our discretion to dissolve the group at an earlier date and also to extend it for a period not exceeding 60 days.

The selling group members will have the privilege of trading in these debentures with other members of the group at the list price less any part of the selling

commission. This privilege, however, is to be exercised only between member of the selling group. The public offering price must be maintained on all sales or resales to other than members of the selling group.

The managers agree with the selling group members to cause to be published a State notice respecting the securities to be offered to the public in New York State under this agreement, in the form required by and pursuant to the provisions of Article 23A of the general business law of the State of New York.

Members of the selling group will be free to advertise at their own expense the day following the appearance of the advertisement over our names.

All subscriptions will be taken strictly subject to allotment and should be reported immediately to Halsey, Stuart & Co. (Inc.), 35 Wall Street, New York City, by wire or telephone. We reserve the right to close the subscription books or withdraw the offering without notice, to reject any and all applications and to award a smaller amount than applied for.

Yours very truly,

HALSEY, STUART & CO. (INC.),
CONTINENTAL ILLINOIS CO. (INC.),
HARRIS, FORBES & CO.,
CENTRAL ILLINOIS CO.,
FIRST UNION TRUST & SAVINGS BANK,
FIELD, GLORE & CO.,
FOREMAN-STATE CORPORATION,
THE NATIONAL REPUBLIC CO.,
INSULL, SON & CO. (INC.),
INSULL, SON & CO. (LTD.), LONDON, ENGLAND,
By HALSEY, STUART & CO. (INC.),
Selling Group Managers.

Mr. PECORA. Now, Mr. Stuart, the units of Corporation Securities Co. of Chicago were listed on the Chicago Stock Exchange on or about October 19, 1929, or within about two weeks after the company was incorporated, were they not?

Mr. STUART. I do not remember the date.

Mr. PECORA. Do you recall the prices realized on the first day's trading on the floor of the exchange in those units?

Mr. STUART. I do not.

Mr. PECORA. Was it \$100 a unit?

Mr. STUART. I do not remember.

Mr. PECORA. Do you recall whether or not either you personally or your company made the market or helped to make the market for those units on the first day of trading?

Mr. STUART. That is, of the Corporation Securities Co. of Chicago?

Mr. PECORA. No; either Halsey, Stuart & Co. or you individually or the Corporation Securities Co. of Chicago.

Mr. STUART. I do not recall.

Mr. PECORA. Do you recall how many shares, or how many units rather, were traded in on the first day?

Mr. STUART. I do not.

Mr. PECORA. Do you recall that the aggregate amount was a thousand units on the first day of trading, and that of those 1,000 units either you or Halsey, Stuart & Co. bought 250 units and sold 600 units?

Mr. STUART. No; I do not recall.

Mr. PECORA. It would not surprise you if that were the fact, would it?

Mr. STUART. Yes; it would a little. I do not get it.

Mr. PECORA. Do you know who made the market for those units on that opening day?

Mr. STUART. No. But I am surprised that our name is mentioned in connection with it.

Mr. PECORA. Mr. Chairman, I have no further questions to ask this witness.

Senator BROOKHART. I have here your statement in the bankruptcy court on October 11, 1932, in which you say:

I looked through the files, and I find a clipping from the Wall Street Journal of February 20, 1932, which gives the volume of business done publicly, and I mean by that through public advertisement, by a great many issuing houses, including ourselves, for the past five years, and this states that we have originated \$1,681,000,000 of bonds, and participated in \$2,433,000,000 additional, for a total of approximately \$4,100,000,000 in five years.

Does that represent your volume of business?

Mr. STUART. No. Those would be the volume that is taken by the Wall Street Journal from public advertisements. But if you came into our office and sold us \$5,000 of bonds, or if Senator Couzens were to do that, that would not be in there. That is just public sales.

Senator BROOKHART. So the volume is much greater than this?

Mr. STUART. Yes. But you must understand that these figures are awfully misleading. You see as to certain participations, syndicate participations, I mean, it is a very large amount, but—

Senator BROOKHART (interposing). The question I am getting at is this: What proportion of this business had been sustained by those supporting the market?

Mr. STUART. Oh, I would say a small percentage, a very small percentage.

Senator BROOKHART. You say you originated over a billion dollars.

Mr. STUART. Have you now finished with me?

Mr. PECORA. Yes, sir.

Mr. STUART. There are two or three things I should like to clear up that I said, and one that I did not explain that I should like to have the opportunity of explaining.

Mr. PECORA. Oh, by the way. Mr. Stuart, do you recall in September of 1930 your company underwrote an issue of \$40,000,000 of debenture notes of Corporation Securities Co. of Chicago?

Mr. STUART. Yes, sir.

Mr. PECORA. And actually sold some \$30,000,000 worth of those to the public?

Mr. STUART. Yes, sir.

Mr. PECORA. And then Corporation Securities Co. of Chicago took back from you the remaining \$10,000,000 of debentures that you had not sold?

Mr. STUART. I have forgotten what that trade was. I know that we had some Corporation Securities Co. notes, but I have forgotten the trade.

Mr. PECORA. Apart from the terms of the trade, do you recall the incident of the Corporation Securities Co. of Chicago taking back from your company \$10,000,000 worth of those gold debentures?

Mr. STUART. I recall something about it.

Mr. PECORA. That you had originally underwritten?

Mr. STUART. But I have not the details in mind.

Mr. PECORA. Do you recall the incident?

Mr. STUART. I recall the issue; yes, sir.

Mr. PECORA. Now, in the summer and fall of 1931 do you recall that there was a steadily declining market and a steady shrinkage in market values of those securities?

Mr. STUART. In 1930?

Mr. PECORA. In the summer and fall of 1931.

Mr. STUART. Yes, sir.

Mr. PECORA. And that the depreciation affected as well the securities that were in the portfolio of the Corporation Securities Co. of Chicago?

Mr. STUART. I presume so; yes, sir.

Mr. PECORA. And those securities in its portfolio were the assets of the company substantially, were they not? I mean that the company's assets, whatever they were, consisted mainly of those portfolio securities?

Mr. STUART. I think mainly so; yes, sir.

Mr. PECORA. Now, with that steadily depreciating value of those assets, did your company continue to sell those debenture notes to the public right throughout the year 1931?

Mr. STUART. I can not answer that without looking it up.

Mr. PECORA. Where would you have to look it up?

Mr. STUART. From our sales records in Chicago.

Mr. PECORA. Are any of your employees here who could tell you?

Mr. STUART. Mr. MacNeille is here if he could answer.

Mr. MACNEILLE. I could not answer without looking it up.

Mr. PECORA. Will you look it up and inform the committee through the medium of a written statement?

Mr. STUART. Whether we made sales then?

Mr. PECORA. Whether you continued to sell the debentures of Corporation Securities Co. of Chicago to the public while the market value of the assets of that company were depreciating, during the summer and fall of 1931.

Mr. STUART. All right.

Mr. PECORA. That is all.

Mr. STUART. May I now explain one or two things?

Senator BROOKHART. One other matter right there: In this volume of business that you originated there is mentioned here business of \$1,681,000,000 that you headed. What does that mean?

Mr. STUART. That means that we were the head of that syndicate. We might have had four or five or a dozen with us, but we were the head of it, and we were given the credit in public advertisements with its origination.

Senator BROOKHART. What proportion of those securities were sold in the exchanges?

Mr. STUART. Oh, a very small proportion.

Senator BROOKHART. But even those that you had protected in the exchanges, only a small proportion of them were sold through the exchanges?

Mr. STUART. Yes, sir.

Senator BROOKHART. You protected your market outside of the exchange as well as inside?

Mr. STUART. Oh, yes.

Senator BROOKHART. All right.

Senator COUZENS (presiding). Now, Mr. Stuart, you may proceed to make your explanation.

Mr. STUART. In the record here where I have frequently said that we never sold stocks, what I mean is that we have never sold stocks to the public. Naturally, in the course of our business we have sold stocks to brokers, or we have underwritten stocks with our own capital, but we have never sold stocks to the public.

Senator COUZENS. You have sold worse than stocks, for you have sold some second, third, and fourth rate bonds.

Mr. STUART. Well, I am afraid we have done some of that, as it has turned out in these times, but a small percentage of them. Our record is pretty good I think.

Senator COUZENS. Is your record good here in Washington in connection with the Mayflower Hotel bonds?

Mr. STUART. It is not so good in some places, perhaps, but it is pretty good on the whole.

Senator COUZENS (presiding). Go ahead.

Mr. STUART. In connection with the organization of Corporation Securities Co. of Chicago, it should be clearly understood that Halsey, Stuart & Co. never made a cent of profit out of that.

Senator COUZENS. That wasn't your fault, was it?

Mr. STUART. Oh, yes. We traded in our stock, which had cost us an average of \$20 and was then worth 100, and took a million shares of Corporation Securities Co. of Chicago stock, and we still have it.

Senator COUZENS. But when you took those million shares you expected to make a profit?

Mr. STUART. We never expected to sell it. That is the reason it was in the form of that voting trust.

Senator COUZENS. But you expected to make a profit by holding it?

Mr. STUART. Well, perhaps at some time. But we never intended to sell it. It was a 5-year voting trust, with option to continue for five years.

Senator COUZENS. Don't try to put before us the thought that you were wholly unselfish.

Mr. STUART. I do not mean to do that. [Laughter.] I could not if I tried it, with you, Senator Couzens.

Senator COUZENS. I hope you would not take a million shares of any stock without expecting to make a profit out of it.

Mr. STUART. Now, I do not know whether this committee would wish me to go into such a subject, but I have some ideas about what ought to be done in the future in the investment business. Is the committee interested in hearing from me on that?

Senator COUZENS (presiding). Certainly. You may proceed now.

Mr. STUART. I will speak briefly, because I know that you have not much time and want to hear others. I think that we should adopt the English practice of not only having very complete prospectuses of all issues, but that we should state right in the prospectus what the security cost; what the company got for it.

Senator COUZENS. Is that along the line of the British companies' act?

Mr. STUART. Yes, sir. The investor in England sees, therefore, when he buys a security just what the company got for it, and how much spread there is between the price the company got and the price he is expected to pay.

Senator BROOKHART. What would you say about stopping this protection of the market?

Mr. STUART. I would put that right in the prospectus, because it is a thing that has to be done. You can not sell bonds, you can not sell securities, any more than you can sell shoes without its costing money to do it. In this so-called protection of the market, that is another way to help sell bonds.

Senator BROOKHART. You mean that you could not get a loan at the bank?

Mr. STUART. You could not distribute securities without you did some such thing as that.

Senator COUZENS. In that respect there isn't any very great difference as to steel corporations getting together and maintaining a price of \$40 per ton for steel rails, and you getting together and maintaining the prices of your securities.

Mr. STUART. No. It is about the same thing, too, but different from that.

Senator BROOKHART. And both of them are violations of the anti-trust law.

Mr. STUART. I do not know about the legal end of this thing, but that is common practice in the business, and Senator Couzens knows it just as well as I do, or better.

Mr. PECORA. Do you know of any reason why Halsey, Stuart & Co. in making the public offerings in the past could not have given the public the information that you now say the public ought to have in the future?

Mr. STUART. Well, I can only say in reply to that question that it has not been the custom to do it.

Mr. PECORA. And the custom was established by the investment houses making those offerings to the public in the past, wasn't it?

Mr. STUART. Yes, I think so. Investment houses and bank affiliates, any one who sold securities.

Senator COUZENS (presiding). Go ahead.

Mr. STUART. I would also have stated in the circular making an offering a list of all participants or have made available all of the selling group. If you have 50 or if you have 500 you could attach a list showing it, so that if somebody in Lansing, Mich., or anywhere else, was participating—

Senator COUZENS (interposing). Michigan is not in very good shape now to buy securities.

Mr. STUART. Perhaps not, but it is a grand old State.

Senator COUZENS. Before you go on with that explanation, let me ask: Would you also incorporate a statement as to the amount of securities held by the controlling interests, that is, the directors and officers?

Mr. STUART. Oh, yes. I would give the whole thing. In other words, I have mentioned the English system, which has a very complete prospectus. In fact, it is so complete that I can not imagine one investor in ten reading their prospectus, but at any rate it is there if a prospective investor wants to read it. The publicity is there.

And then another thing that is just a little different from this, but I am inclining to the view it is the thing to do: The most popular bonds to-day are public utility bonds, or bonds of operating gas and

electric companies. That is one business that has shown itself to be a stable business during all these bad times. Earnings have been less affected. And the bonds of those companies that we have sold, many millions of dollars, the operating companies are still good and paying interest.

In the most of the States they have a public service commission which regulates the issuance of securities. I think it is well worth considering having these public utility commissions put these bonds up at auction and sell them to the highest bidder instead of by some private concerns. They are easily sold, and——

Senator BROOKHART (interposing). Do you mean to put up bonds in public utility companies at public sale?

Mr. STUART. Yes, sir; the same as the Interstate Commerce Commission did in the matter of the railroad equipment trusts.

Senator COUZENS. Mr. Stuart, I would suggest that you better not appear in Wall Street after making that statement.

Mr. STUART. Well, you understand, I say I am leaning toward that view.

Senator COUZENS. And you better not go too far or you will run across Mr. Roosevelt.

Mr. STUART. I think it well worth consideration. As a matter of fact, neither of these ideas is new. I will be glad to see them done.

Now, in reading a book written by Mr. Justice Brandeis, and you will remember that he published a book back in 1914——

Mr. PECORA (interposing). The book entitled "Other Peoples' Money"?

Mr. STUART. Yes, sir. In that he covered this and other things that I think are worthy of more consideration to-day.

Mr. PECORA. The original edition of that book was published in 1914.

Mr. STUART. Yes. But I just read a new edition of it the other day.

Mr. PECORA. Did you read it in 1914?

Mr. STUART. I am sorry but I did not.

Senator BROOKHART. And you are just now finding out about it?

Mr. STUART. Well, he is that much ahead of me.

Senator COUZENS. How long are you going to take, Mr. Stuart, to conclude?

Mr. STUART. I am through now. May I go back to Chicago?

Mr. PECORA. Yes.

Senator COUZENS (presiding). Then you are excused, Mr. Stuart. (And thereupon Mr. Stuart was excused.)

Senator COUZENS (presiding). Mr. Traylor, will you come around? Oh, here is the chairman now.

The CHAIRMAN. Hold up your right hand: You solemnly swear that you will tell the truth, the whole truth, and nothing but the truth regarding the matter now under investigation by this committee, so help you God.

Mr. TRAYLOR. I do.

TESTIMONY OF MELVIN A. TRAYLOR, PRESIDENT FIRST NATIONAL BANK OF CHICAGO

Mr. PECORA. Mr. Traylor, will you give your full name, and address, and your business or occupation to the committee reporter, please?

Mr. TRAYLOR. My name is Melvin A. Traylor. I am president of the First National Bank of Chicago.

Mr. PECORA. How long have you been president of that bank?

Mr. TRAYLOR. Since January of 1925.

Mr. PECORA. Since that time has that bank made a number of loans which are still outstanding to corporations or persons connected with the so-called Insull group of public utility companies?

Mr. TRAYLOR. Yes, sir.

Mr. PECORA. Have you for the sake of convenience prepared a written statement containing a list of those loans now outstanding?

Mr. TRAYLOR. I have.

Mr. PECORA. Will you produce it, please?

Mr. TRAYLOR. Here it is.

Mr. PECORA. In view of the hour, Mr. Chairman, and the fact that the witness wants to get away, I will ask that this be spread on the record.

The CHAIRMAN. There being no objection it is so ordered.

FEBRUARY 17, 1933.

HON. PETER NORBECK,
*Chairman Committee on Banking and Currency,
United States Senate, Washington, D. C.*

MY DEAR MR. CHAIRMAN: As president of the First National Bank, of Chicago, Ill., and the First Union Trust & Savings Bank of that city, I am attaching hereto a list of the loans due those banks by the so-called Insull companies together with a list of loans to individuals and corporations, collateralized in the main by Insull securities, all as of the date of April 16, 1932. The attached list sets out in detail the collateral held in each instance against the specific loan of the particular borrower and is prepared from the records of the banks.

The dealings of the First National Bank with the Insull companies and the other borrowers whose names appear upon the attached list covers a considerable period of time. Loans to many of the companies and individuals were at times partially paid and additional loans later made, hence it would require a long, detailed search to give a full history of the loan transactions with any particular borrower. We will, however, be glad to furnish such information upon request. The attached list, however, does correctly portray our relations with the borrowers and our loans to them as of the date above mentioned, April 16, 1932.

In the case of the First Union Trust & Savings Bank, the only borrower in the Insull group was Mr. Samuel Insull, jr.

The First National Bank of Chicago took over the assets and assumed the deposit liabilities of the Foreman-State National Bank on June 6, 1931. Among the assets of that bank was a loan to the Mississippi Valley Utilities Investment Co., aggregating \$1,048,303.29. That loan remained unpaid on April 16, 1932, and I attach list of collateral securing that loan.

On April 16, 1932, the First National Bank of Chicago had capital of \$25,000,000, surplus \$25,000,000, undivided profits and reserves of about \$3,000,000. On the same date the First Union Trust and Savings Bank had capital of \$10,000,000, surplus of \$5,000,000, undivided profits and reserves of about \$5,000,000.

Respectfully submitted,

MELVIN A. TRAYLOR.

(The tabulation furnished with the foregoing letter is here inserted as follows:)

FIRST NATIONAL BANK

Date	Due	Name of maker	Rate	Balance, Apr. 16, 1932	Collateral
June 9, 1930	Demand	Insull Utility Investments (Inc.)	Per cent 5	\$1,233,608.03	28,218 shares Commonwealth Edison Co.
July 15, 1930	do	do	5	1,500,000.00	183,355 shares Middle West common.
Oct. 9, 1930	do	do	5	2,000,000.00	2,733 shares Public Service Co. of Northern Illinois common.
May 28, 1931	do	Corporation Securities Co.	5	4,733,701.08	57,100 shares Corporation Securities Co. common; 71,100 shares Corporation Securities Co. \$3 preferred.
				4,880,093.05	9,924 shares Commonwealth Edison Co.; 5,924 shares Public Service Co. of Northern Illinois no par; 33,849 shares Insull Utility Investments second preferred; 6,182 shares Insull Utility Investments \$5.50 prior preferred; 12,200 shares Peoples Gas Light & Coke Co.; 252,035 shares Middle West common; 5,000 shares Middle West \$6 preferred; 10,000 shares Insull Utility Investments common.
July 14, 1930	do	Middle West Utilities Co.	5	2,692,903.46	10,100 shares Northwest Utilities Co. 6 per cent preferred.
July 29, 1930	do	do	5	1,250,000.00	244 shares Inland Power & Light Co. 7 per cent preferred.
June 5, 1931	do	do	5	1,000,000.00	2,100 shares Michigan Gas & Electric 6 per cent prior lien.
				4,942,903.46	193,000 shares National Electric Power Co. class B common; 734 shares Peoples Gas Light & Coke Co.; 3,300 shares Michigan Gas & Electric Co. common; 22,000 shares Kansas Electric Power Co. common; 5,600 shares Central Illinois Public Service Co. common 110,000 shares North Western Utility Co. common; 829 shares Commonwealth Edison Co.; 730 shares Arkansas-Missouri Power Co. preferred; 34 shares Public Service Co. of Northern Illinois common; 4,900 shares Central & South Western Utilities 6 per cent prior lien; 3,200 shares Central & South Western Utilities 7 per cent preferred; \$97,000 Arkansas-Missouri Power Co. 6 per cent first 1953; 6,900 shares North Western Utility Co. 7 per cent preferred; 210,300 shares Central & South Western Utilities common; \$85,000 Arkansas-Missouri Power Co. debentures 6 per cent 1935; \$80,000 Inland Power & Light Co. 6 per cent collateral 1936; \$21,000 Indiana Electric Corporation 5 per cent first 1951; \$72,100 National Electric Power Co. 5 per cent debentures 1978; \$173,000 Inland Power & Light Co. 6 per cent collateral 1957; \$23,000 West Texas Utility Co. 3 per cent first 1957; \$80,000 North Western Public Service 5 per cent first 1957; \$121,000 Inland Power & Light Corporation 7 per cent debenture, 1935; 250 shares National Electric Power 6 per cent preferred; 3,800 shares North Western Utility Co. 7 per cent prior lien; 176,000 Inland Power & Light Corporation 6 per cent collateral, 1941; 32,700 shares Kentucky Utility Co. common; 85,100 shares National Electric Power Co. class A common; 3,600 shares South Western Light & Power Co. preferred no par; \$14,000 National Public Service Corporation 5 per cent debenture, 1978.

Oct. 30, 1930	do.	Associated Employees Investment	4½	275,000.00	111,635 shares Middle West Utilities common; 10,277 shares Associated Telephone Utilities Co. common; 5,439 shares Central & South Western Utilities Co. common; 11,260 shares Insull Utility Investment second preferred; 4,426 shares Middle West Utilities 6 per cent preferred; 250 shares Insull Utilities Investment Co. \$5.50 prior preferred; 650 shares Corporation Securities Co. \$3 optional preferred; 12,925 shares Insull Utilities Investment common.
Feb. 16, 1931	do.	Utility Securities Co.	5	150,033.81	316 shares North American Light & Power \$6 preferred.
Apr. 18, 1931	do.	do.	5	500,000.00	2,500 American Service Co. 6½ per cent debenture 1934.
Apr. 21, 1931	do.	do.	5	1,150,033.81	25 shares Michigan Electric Power Co. 6 per cent preferred.
					14 shares Michigan Gas & Electric 6 per cent preferred; 6,586 shares Insull Utilities Investment second preferred; 7,000 shares Insull Utilities Investment \$5.50 preferred; 94,400 shares Central & South Western Utilities common; 600 shares Consumers Co. 6 per cent prior preferred; 584 shares Consumers Co. 7 per cent preferred; 950 shares Midland United Co. convertible preferred; 1,808 shares Middle West Utilities 6 per cent preferred; 2,000 shares Peoples Gas Light & Coke Co.; 1,000 shares Midland Utilities Co. 7 per cent prior lien; 40,502 shares Middle West Utilities common; 1,504 shares Commonwealth Edison Co.; 700 shares Public Service Co. of North Illinois no par; 500 shares Midland Utilities Co. 7 per cent preferred class A; 28,620 shares Corporation Securities Co. common; 20,000 shares Midland United Co. common; 5,662 shares Insull Utilities Investment common; 300 shares Public Service Co. of North Illinois \$100 par; 33,877 shares National Electric Power Co. class A common; 1,200 shares Midland United Co. 6 per cent preferred.
Apr. 16, 1931	do.	Hill Joiner & Co.	5	190,956.33	\$20,000 Arkansas-Missouri Power Co. 6 per cent first, 1933.
May 20, 1931	do.	do.	5	50,000.00	\$3,000 Ashland Light, Power & Street Railway Co. first, 1939.
May 22, 1931	do.	do.	5	100,000.00	\$25,000 Central Power & Light Co. 6½ per cent first, 1931.
July 1, 1931	do.	do.	5	50,000.00	44,500 shares Central & South Western Utilities common.
June 24, 1931	do.	do.	5	115,000.00	\$4,000 Chicago Northern Shore & Milwaukee Railroad 6½ per cent first and refunding, 1955.
July 9, 1931	do.	do.	5	350,000.00	200 shares Corporation Securities Co. common.
July 15, 1931	do.	do.	5	400,000.00	3,000 shares Corporation Securities Co. preferred.
Sept. 9, 1931	do.	do.	5	50,000.00	\$81,000 Corporation Securities Co. 5 per cent, 1932-1935; \$13,000 Eastern Shore Public Service Co. 5 per cent first, 1955; \$13,000 Federal Utilities Co. 5½ per cent first lien, 1957; \$2,000 Hydro Electric Corporation of Virginia 5 per cent, 1958; \$25,000 Illinois Northern Utilities Co. 5½ per cent first and refunding, 1957; 6,000 shares Insull Utility Investment Co. common; 1,722 shares Insull Utility Investment Co. \$6 second preferred; \$1,000 Ironwood & Bessener Railway & Light Co. 5 per cent first, 1936; \$22,000 Metropolitan District Finance Co. 6 per cent collateral, 1943; \$28,000 Metropolitan District Finance Co. 6½ per cent collateral, 1944; 12,917 shares Middle West Utilities Co. common; 21,700 shares Midland United Co. common; 965 shares Midland United Co. \$3 preferred convertible ex rights; 3,520 shares Midland United Co. \$3 preferred class A convertible with warrants; 16,500 shares Midland United Co. \$6 preferred; 5,000 shares Mississippi Valley Utility common; 1,600 shares Mississippi Valley Utility 6 per cent prior lien preferred; 1,000 Missouri Edison Co. 5½ per cent

FIRST NATIONAL BANK—Continued

Date	Dua	Name of maker	Rate	Balance, Apr. 16, 1932	Collateral
Sept. 9, 1931	Demand	Hill Joiner & Co.	Per cent 5	\$50,000.00	first, 1947; 6,300 shares National Electric Power Co. common class A; 1,000 shares National Electric Power Co. \$6 preferred; 500 shares National Electric Power Co. \$7 preferred; \$151,000 National Electric Power Co. 5 per cent, 1978; \$221,000 National Public Service Co. 5 per cent note, 1978; 300 shares New England Public Service 6 per cent preferred prior lien; 1,133 shares North West Utility Co. 7 per cent preferred; 256 shares North West Utility Co. 7 per cent prior lien; 1,000 shares Seaboard Public Service Co. 6 per cent preferred; 1,568 shares Seaboard Public Service Co. \$3.25 preferred; \$33,100 Southland Ice Co. 6 per cent first, 1942; \$4,700 South Western Gas & Electric Co. 6 per cent first, 1961; \$2,100 South Western Light & Power Co. 5 per cent first, 1967; \$20,000 Starrett Investment Corporation 5 per cent, 1950; \$500 Swiss Oil Corporation 6 per cent first and collateral, 1931-1933; 2,400 shares Wisconsin Power & Light Co. common, \$1,000 Wisconsin Power & Light Co. 5 per cent first lien, 1961; \$1,000 Seveca Coal & Coke Co. 5 per cent first, 1933; \$507,000 Central West Public Service Co. 3-year first lien collateral, Series C, 5 per cent, 1933.
Nov. 27, 1931	do.	A. B. Leach & Co.	5	13,080.24	\$1,300,000 Allied Motors Industries, Inc., 5-year convertible gold notes, 15-year, series A, 6 per cent, 1944.
Jan. 21, 1930	do.	do.	5	11,045,000.00	\$25,000 American Service Co. convertible debenture first mortgage, 15-year, series A, 6 per cent, 1944.
Dec. 31, 1929	do.	do.	5	11,250,000.00	\$327,000 American Service Co., convertible debenture, 5-year convertible debenture, 6½ per cent, 1934.
Sept. 15, 1931	do.	do.	5	472,000.00	\$11,000 American Service Co. convertible debenture, 3-year convertible gold notes, 7 per cent, 1932; \$20,000 Central Power & Light, first, 6½ per cent, 1951; \$137,000 Central West Public Service, first, 5½ per cent, 1950; \$30,000 Florida Portland Cement Co., first, 6½ per cent, 1932; \$189,500 Mid Continent Laundries (Inc.), first lien collateral gold, 6 per cent, 1939; \$126,000 Mid Continent Laundries (Inc.) convertible gold debentures, 7 per cent, 1939; \$12,000 Municipal Light & Power Co., New Jersey, 5-year secured gold debenture, 6 per cent, 1935; \$58,000 National Terminals Corporation convertible debenture, 6½ per cent, 1940; \$1,500 Ohio Terminal Co. first sinking-fund, 6 per cent, 1947; \$15,000 Super Power Co. of Illinois, first, 4½ per cent, 1970; \$39,000 Van Siclen Corporation convertible debenture, 5-year convertible gold notes, 6 per cent, 1934; \$1,000 Wardman R. E. Properties (Inc.), first and refunding, 6½ per cent, 1938; \$1,000 Wardman R. E. Properties (Inc.), first and refunding, 6½ per cent, due 1948; \$129,000 Wardman Realty & Construction Co. gold debenture, 6½ per cent, 1938; \$30,000 Western Power Light & Telephone Co., first lien collateral, series A, 6 per cent, 1948; \$31,000 Corporation Securities Co. of Chicago, 5 per cent, 1933; \$65,000 Corporation Securities Co. of Chicago, 5 per
Jan. 21, 1930	do.	do.	5	1,045,000.00	
Sept. 25, 1930	do.	do.	5	180,000.00	
Jan. 25, 1930	do.	do.	5	120,000.00	
Mar. 3, 1931	do.	do.	5	466,700.00	
Dec. 2, 1929	do.	do.	6	103,390.83	
				3,650,170.07	

Aug. 27, 1931	Dec. 28, 1931	M. J. Insull and M. E. Sampson	5½	70,000.00	cent, 1934; \$1,000 Corporation Securities Co. of Chicago, 5 per cent, 1935; \$45,000 Corporation Securities Co. of Chicago, 5 per cent, 1932; \$300 O-Cedar Corporation, first mortgage, 6 per cent, 1932; 100 shares Certain-Feed Products Corporation, common; 5,900 shares Jersey Central Power & Light Co., 5½ per cent preferred; 10,187 shares Allied Motors Industries (Inc.), common; 1,225 shares American Service Co., common; 1,350 shares American Service Co., preferred; 750 shares Copeland Products (Inc.), class A; 300 shares Godshaux Sugars (Inc.), class B; 300 shares Leach Corporation, preferred; 10,300 shares Mid Continent Laundries (Inc.) common; 2,380 shares National Terminals Corporation, cumulative convertible preferred; 5 shares 20 Wacker Drive Building Corporation, 6 per cent cumulative preferred; 4,863 shares Van Sleklen Corporation, participating, class A; 1,600 shares Western Power, Light & Telephone Co. participating, class A; 3,554 shares Woodruff & Edwards, class A; 45,000 shares Aeronautical Corporation; 327 shares Middle West Utility Co., common.
Dec. 14, 1931	Apr. 14, 1932	M. J. Insull	5½	29,000.00	1,200 shares Producers & Refiners Corporation common.
Mar. 25, 1931	Demand	do	5	200,000.00	2,500 shares Insull Utilities Investment common; 900 shares Western Pacific R. R. preferred; 1,000 shares United Dry Docks (Inc.), common; 1,424 shares Insull Utilities Investment first preferred; 1,900 shares Corporation Securities Co. convertible voting trust certificate; 500 shares Corporation Securities Co. \$3 preferred; \$100,000 Third Avenue Ry. Co. 5 per cent adjusted income 1930.
June 20, 1930	do	E. J. Murnane	5½	171,000.00	100 shares Bendix Aviation common.
Oct. 7, 1930	do	do	5½	28,240.00	200 shares Paramount Public common.
Oct. 21, 1930	do	do	5½	11,760.00	10,600 shares Insull Utilities Investment common; 3,373 shares Middle West Utilities common; 23,200 shares Corporation Securities Co. common; 20,900 shares Corporation Securities Co. voting trust certificate; 200 shares Corporation Securities Co.
Mar. 25, 1931	do	H. G. Clabough	5½	48,161.25	1,000 shares Middle West Utilities common; 525 shares Commonwealth Edison Co.
Feb. 2, 1932	Apr. 1, 1932	A. L. Tossell	5	11,932.55	150 shares Union Carbide & Carbon.
Mar. 1, 1932	July 1, 1932	do	5	11,288.08	1,900 shares Middle West Utilities common.
Mar. 29, 1932	July 1, 1939	do	5	11,143.61	334 shares Peoples Gas Light & Coke Co.; 50 shares Inland Investment Co.; 100 shares North American Light & Power common; 30 shares Continental Chicago Corporation common; 30 shares Continental Chicago Corporation preferred; 100 shares Lake Co. Land Association common.

! Of this amount \$1,400,000 was charged to contingent reserve A-C prior to April 16, 1932.

! Of this amount, \$160,000 was charged to contingent reserve prior to Apr. 16, 1932.

FIRST NATIONAL BANK—Continued

Date	Due	Name of maker	Rate	Balance, Apr. 16, 1932	Collateral
Dec. 16, 1931	Mar. 15, 1932	Federal Electric Co.	Per cent	\$20,000.00	Plain note.
Mar. 25, 1932	Demand	Virginia Insull Raftery	5	440,000.00	1,507 shares Green Acre Farms Co. common; 3,315 shares Middle West Utility common.
Mar. 25, 1931	do.	Green Acre Farms (Inc.) ^a	5½	60,000.00	2,850 shares Lincoln Printing Co. common; 200 shares Middle West Utility \$6 preferred; 682 shares Insull Utility Investment common; 100 shares Associated Telephone Utility Co. common; 300 shares Middle West Utility common; 300 shares Insull Utility Investment preferred first lien.
Oct. 3, 1930	do.	Washington Flexner and M. J. Insull.	5	301,843.75	6,000 shares Lincoln Printing Co. common; 700 shares International Harvester Co. common; 800 shares Insull Utility Investment second preferred with warrants; 300 shares General Motors Corporation common; 2,100 shares Sears, Roebuck & Co.; \$25,000 General Theatres Equipment convertible debenture 6 per cent Apr. 1, 1940; 25 shares Adams Millis Corporation 7 per cent preferred; 300 shares Cities Service common.

FIRST UNION TRUST AND SAVINGS BANK

Date	Due	Name of maker	Rate	Balance, Apr. 16, 1932	Collateral
Feb. 26, 1931	Demand	Samuel Insull, Jr.	5	\$730,000.00	31,834 shares Insull Utility Investment common; 725 shares Corporation Security Co. common; 600 shares Corporation Security Co. optional preferred; 90 shares Arlington Park Jockey Club preferred; 90 shares American National Jockey Club Trust; 25 shares Chicago South Shore & South Bend 6½ per cent preferred; \$25,000 Elizabeth Cordell Hospital 5 per cent notes; 175 shares Standard Auto Signal Corporation common; 50 shares Peoples Gas Light & Coke Co. full paid units, fund No. 6; \$100 Chicago Riding Club 6 per cent general 1932; 278 shares Peabody Coal Co. A common; \$1,000 Electric Club note, 1945; No. 119 Post & Paddock Club membership; \$331.25 Central Public Service Corporation notes, 1934; \$147,000 Tracy C. Drake. Various demand notes secured by 5,000 shares Whitestone Co. and 100 shares Continental Illinois Bank & Trust Co.; \$2,000 demand note of John Ashenhurst, secured by 20 shares Commonwealth Edison Co.

FOREMAN-STATE NATIONAL BANK

Mar. 11, 1932	Demand.....	Mississippi Valley Utilities Investment Co.	Per cent 5	\$148,303.29	15,000 shares North American Light & Power common.
Mar. 24, 1932	.....do.....	.....do.....	5	900,000.00	10,750 shares Texas Hydro Electric Corporation common; 357 shares Southern Nebraska Power Co. preferred; 3,090 shares Midland United Co. common; 3,000 shares Corporation Securities Co. preferred; 200 shares South Western Light & Power Co. preferred; \$930,000 Texas Hydro Electric Corporation first 6 per cent 1956; 200 shares American Public Utility Co. preferred; 14,500 shares Texas Hydro Electric Corporation preferred.

³ Endorser: Virginia Insull Rafferty.

⁴ \$37,000 charged to contingent reserve prior to Apr. 16, 1932.

⁵ \$60,000 charged to contingent reserve prior to Apr. 16, 1932.

⁶ 17,066 shares Insull Utility Investment; 28,000 shares Corporation Securities Co.

Mr. PECORA. Mr. Traylor, if the aggregate amount of those loans made to units of the Insull group had been made to one borrower, would they have exceeded the amount which under the law could have been loaned by the bank to a single borrower?

Mr. TRAYLOR. They would, had they been grouped to just one borrower.

Mr. PECORA. Those loans were made to how many different persons or units?

Mr. TRAYLOR. There must be a dozen, or more than that, probably 15. As a matter of fact, on looking at it I find there are about 22 corporations and individuals. But I might say they include other collateral as well as Insull collateral.

Mr. PECORA. Mr. Traylor, did your bank have a so-called investment affiliate?

Mr. TRAYLOR. We do have now. We did not have at the time I became president.

Mr. PECORA. What is the name of the affiliate?

Mr. TRAYLOR. The First Chicago Corporation.

Mr. PECORA. How long has it been in existence and operation?

Mr. TRAYLOR. Well, it has never operated, in that it has neither underwritten nor distributed securities. The capitalization of the present company was set up in 1928.

Senator COUZENS. For what purpose?

Mr. TRAYLOR. Oh, we did not have much idea, Senator Couzens, what we would do at the time. We were consolidating at that time with the Union Trust Co., and we had some surplus assets, and we created the First Chicago Corporation and paid in \$5,000,000 of capital.

Senator COUZENS. What was the consideration back of the organization?

Mr. TRAYLOR. As I say, we did not have a very clear idea of what we might do with it. We thought some day we might use it for our distribution of securities. As a matter of fact we have never done anything with it. We invested in bonds and securities of one kind and another, and have lost about a quarter, or perhaps a third of it. It is not active at all.

Mr. PECORA. Is the First Union Trust & Savings Bank affiliated with your bank?

Mr. TRAYLOR. Yes, sir. The First Union Trust was organized originally in 1903 as the First Trust & Savings Bank. It is a state institution, and the stock is held by trustees for the beneficial interest of the stockholders of the First National Bank. The First National Bank carries an indorsement that the stockholder participate pro rata in the assets of the First Union Trust & Savings Bank.

Mr. PECORA. So that the shareholders of the First National Bank of Chicago, through this trustee form of ownership, are also shareholders of the stock of the First Union Trust & Savings Bank?

Mr. TRAYLOR. Yes, sir.

Senator COUZENS. Does that constitute a double liability also?

Mr. TRAYLOR. It does. Specifically the trustees are guaranteed against personal double liability by the assumption on the part of the stockholders of the First National Bank of that double liability.

Mr. PECORA. Now, the loans that the First National Bank made to these Insull corporations or groups, were secured by stock or

securities, consisting of stock of these Insull groups for the most part, were they not?

Mr. TRAYLOR. Largely stocks. There are some bonds and debentures scattered through the collateral.

Mr. PECORA. You are acquainted with a corporation called Insull Utility Investments (Inc.)?

Mr. TRAYLOR. Yes, sir.

Mr. PECORA. And also with a corporation called Corporation Securities Co. of Chicago?

Mr. TRAYLOR. Yes, sir.

Mr. PECORA. Those are two Insull companies?

Mr. TRAYLOR. They are.

Mr. PECORA. In the form of investment trusts?

Mr. TRAYLOR. They are.

Mr. PECORA. Among the loans made by your bank to the Insull group were loans to those two investment trusts, is that correct?

Mr. TRAYLOR. We had a loan to each; yes, sir.

Mr. PECORA. Are you familiar with the debenture notes that were issued and sold to the public by those two investment trusts?

Mr. TRAYLOR. I am.

Mr. PECORA. Do you know whether the First Union Trust & Savings Bank distributed any of those shares to the investing public?

Mr. TRAYLOR. They did.

Mr. PECORA. Do you know to what extent?

Mr. TRAYLOR. No; because it was a trading account. That is, we were in and out on the open market for the securities. In other words, we would buy from somebody who wanted to sell, or sell to somebody who wanted to buy. But the original participation in the Insull Utility Investments (Inc.), if I am not mistaken, was in the neighborhood of one and one-fourth million dollars of the debentures and less than \$500,000 of the Corporation Securities debentures.

Mr. PECORA. You know that in December of 1931 there were outstanding bank loans to the aggregate of \$78,000,000 which had been made to those two investment trusts of the Insull group?

Mr. TRAYLOR. Well, the sum I am not familiar with, but I know it was a large sum.

Mr. PECORA. And those loans were held by a number of banks in Chicago and some banks in New York?

Mr. TRAYLOR. Yes, sir.

Mr. PECORA. Including your bank in Chicago?

Mr. TRAYLOR. That is right.

Mr. PECORA. There was a so-called standstill agreement discussed by the officers of the various bank creditors of these two Insull investment trusts, was there not?

Mr. TRAYLOR. In January and February, and carried along for some time.

Senator COUZENS. How much was involved in the stand-by agreement?

Mr. TRAYLOR. I could not tell you, but it involved the loans of the banks in Chicago and the banks in New York. It would be easy enough to ascertain what the total was, but I am assuming it was in the neighborhood of what Mr. Pecora said.

Senator COUZENS. Were the banks in the stand-by agreement?

Mr. TRAYLOR.[†] The standstill agreement as a matter of fact was never consummated. It was permitted to run along without anybody tipping the apple cart over, so to speak, for a while, but it was never signed up.

Senator COUZENS. How much did your bank have by way of interest in this stand-by agreement?

Mr. PECORA. Standstill agreement they call it, Senator.

Senator COUZENS. Well, standstill agreement.

Mr. TRAYLOR. Well, with respect to those two companies it was something just under \$5,000,000 in each case. The loans had been for \$5,000,000 and had some payments on them.

Mr. PECORA. Now it developed, did it not, that with regard to those banks loans which aggregated around \$78,000,000 last December, that virtually all the assets in the possession of those two companies had been pledged with the banks to secure those loans?

Mr. TRAYLOR. That is substantially correct; yes, sir.

Mr. PECORA. And that left substantially no security for the debenture bonds that had been sold to the public?

Mr. TRAYLOR. That is correct. But may I say that the debentures on their face specifically authorized the companies to pledge their assets for current borrowings, so long as the total indebtedness in either case would not exceed 50 per cent of the assets. Of course, the finish was that the assets depreciated so rapidly that when the breakdown came there was not much for anyone.

Senator COUZENS. What were those borrowings used for, Mr. Traylor?

Mr. TRAYLOR. I would assume, without any knowledge—and we did not ask—that they were invested largely in the purchase of other Insull securities.

Senator COUZENS. And in their purchasing these other Insull securities with this borrowed money, did they add that to the securities they owned?

Mr. TRAYLOR. That went into their general assets, and probably was pledged to buy more.

Senator COUZENS. But your security was not augmented by those purchases?

Mr. TRAYLOR. It is altogether probable, in taking additional collateral as our margin went down, that we may have gotten back as collateral some of the securities that were purchased with the proceeds of our loan. I am not in a position to say that, but that is a fair assumption.

Mr. PECORA. The covenant in the indenture, in pursuance of which these debentures were issued, provided that the indebtedness should at no time exceed 50 per cent of the assets?

Mr. TRAYLOR. That is right.

Mr. PECORA. And one reading that provision would assume that no indebtedness would be contracted that would exceed the value of 50 per cent of the assets, and that provided the other 50 per cent of the assets which would give security to the debenture holdings.

Mr. TRAYLOR. That was the assumption.

Mr. PECORA. That was the assumption?

Mr. TRAYLOR. Yes, sir.

Mr. PECORA. Now, in practice it worked out that in the depreciating value of the debentures the banks called for more and more

collateral, and those demands were complied with, so that in December of 1931, at the time this standstill agreement was first proposed the banks had virtually all of the assets of those two companies; was not that the practical operation?

Mr. TRAYLOR. That was the practical operation. The practical result, however, of the failure, assuming that the loans were made at a time when the assets exceeded the 50 per cent requirement, and a break in the market, and depreciating collateral, the net result would have been, had there not been call for additional collateral, they would have further depreciated, and we would have come, probably, to the same net result as we have to-day.

Mr. PECORA. And the banks that called for that additional collateral were some of the banks that distributed these debentures to the public, were they not?

Mr. TRAYLOR. Undoubtedly. We were, in our case.

Mr. PECORA. That is all.

Senator BROOKHART. I want to ask a few questions. Mr. Young testified that when General Electric made its loan to Mr. Insull it took his personal indorsement, and also took his agreement that he would maintain the market of those securities that were pledged.

Mr. TRAYLOR. The market, or margin?

Mr. PECORA. The margin, I think, of 40 per cent.

Senator BROOKHART. Yes, the margin; I believe that is the way he stated it.

Mr. TRAYLOR. Yes, sir.

Senator BROOKHART. Now is there an agreement made by banks when they make loans, to float those securities?

Mr. TRAYLOR. When we make current loans, as this one, from time to time, and our loans were current, they would probably borrow five million to pay off three or four, and then come back and get additional money. They had a line of credit, and the loan provides that the margin shall be maintained.

Senator BROOKHART. In the market?

Mr. TRAYLOR. Well, that is our contract with the borrower, that if his margin goes below whatever it is, 20, or 30, or 40, he will maintain the margin.

Senator BROOKHART. The margin is determined by the market for those securities?

Mr. TRAYLOR. That is right.

Senator BROOKHART. And that, you say, is the universal practice of the banks?

Mr. TRAYLOR. That is the only way they can safely make collateral loans.

Senator BROOKHART. So that means an artificial support of the market by the holders of those securities whenever the market is dropping, in particular?

Mr. TRAYLOR. Well, I suppose that the borrower on collateral would be anxious to see the market maintained if he could; yes.

Senator BROOKHART. That is all, Mr. Traylor.

(The witness was excused.)

Mr. PECORA. Mr. Tyler.

The CHAIRMAN. Mr. Tyler, raise your right hand. You do solemnly swear that the testimony you will give before this com-

mittee will be the truth, the whole, truth, and nothing but the truth; so help you God.

Mr. TYLER. I do.

TESTIMONY OF EDWARD M. TYLER, CERTIFIED PUBLIC ACCOUNTANT, WOODWARD BUILDING, WASHINGTON, D. C.

Mr. PECORA. Mr. Tyler, give your full name, your address, and your business.

Mr. TYLER. Edward M. Tyler, certified public accountant, Woodward Building, Washington, D. C.

Senator COUZENS. Who are you employed by now?

Mr. TYLER. I have a firm of my own, Tyler, Stovall & Co.

Senator COUZENS. And are you employed by this committee?

Mr. TYLER. Yes, sir.

Mr. PECORA. What education have you had in the field of accountancy?

Mr. TYLER. I graduated from the Washington School of Accountancy, as I recall it, about 1917.

Mr. PECORA. When did you become a certified public accountant?

Mr. TYLER. I became a certified public accountant in the State of North Carolina in June of 1919; and in the District of Columbia immediately upon the passage of that act, on February 17, 1923.

Mr. PECORA. Since that time what have been your activities and experience in the field of accountancy?

Mr. TYLER. In 1920 I became a partner of William Clabaugh, practicing as William Clabaugh & Co. He is since deceased.

In 1926 I engaged in individual practice.

In 1929 I became a partner of Clyde B. Stovall, practicing as Tyler, Stovall & Co., with offices in the Woodward Building; and my activities were transferred to New York.

About the same time I became comptroller of Harris, Winthrop & Co., members of the New York Stock Exchange, with offices at 11 Wall Street, the Stock Exchange Building; and was comptroller for Harris, Upham & Co., the succeeding company to Harris, Winthrop & Co.

Mr. PECORA. Does that comprehend your training and experience and education in the field of accountancy?

Mr. TYLER. I believe that covers it briefly.

Mr. PECORA. Were you employed as a certified public accountant by this committee to make certain examinations, investigations, and analyses of the records of the Insull Utility Investments (Inc.), and the Corporation Securities Co. of Chicago, and collateral records?

Mr. TYLER. I was.

Mr. PECORA. How long have you been engaged in making such examination and analyses?

Mr. TYLER. Since about October 1.

Mr. PECORA. Of 1932?

Mr. TYLER. Of 1932.

Mr. PECORA. And have you also, in your research along this line and in your investigations, inquired into and examined into and analyzed the records of transactions in the stock of those two companies?

Mr. TYLER. I have.

Mr. PECORA. Of certain persons or corporations?

Mr. TYLER. Yes; I have.

Mr. PECORA. Before I come to that portion of your testimony, let me ask you if, among other things, you examined the financial statement to the public of Corporation Securities Co. of Chicago for the year 1929 with respect to the item thereon showing the organization expense?

Mr. TYLER. Yes, sir.

Mr. PECORA. What was the organization expense shown in that statement to the public?

Mr. TYLER. I will have to refer to one of my records here.

Mr. PECORA. Very well. Have you got it?

Mr. TYLER. Yes; here is the item referred to, amounting to \$347,000—

Mr. PECORA (interposing). No; I mean, in the statement put out to the public, what was the amount of the item for operating expenses for the year 1929 of that company?

Mr. TYLER. The operating expenses, according to their statement, was \$4,980.

Mr. PECORA. Now, have you seen in the offices of that company a copy of its income-tax return for the year 1929, showing the item for operating expenses for that year of 1929?

Mr. TYLER. Yes; I have.

Mr. PECORA. What is the amount shown on the income-tax return for operating expenses?

Mr. TYLER. \$347,446.03.

Mr. PECORA. Now, let me invite your attention to a corporation called Insull Utility Investments (Inc.).

Mr. TYLER. Yes, sir.

Mr. PECORA. Having in mind that the opening trades on the Chicago Stock Exchange for the common stock of that company were had on January 17, 1929, will you tell us who were the only holders of outstanding common stock of the company on that date, according to the corporation records?

Mr. TYLER. According to the corporation records, the only outstanding stock at that date were the so-called Insull family, with the possibility of warrants in connection with the issue of debenture A's.

Mr. PECORA. Who were the only holders of the common stock actually issued and outstanding?

Mr. TYLER. The only holders were the Insull family.

Mr. PECORA. How about Halsey, Stuart & Co.?

Mr. TYLER. Halsey, Stuart & Co., so far as my records go, had no actual stock.

Mr. PECORA. What were the sales made on the exchange on the opening day in the common stock of that company; that is, of the Insull Utility Investments (Inc.)?

Mr. TYLER. According to the stock exchange records, there were 4,150 shares traded in on that day.

Mr. PECORA. At what price?

Mr. TYLER. At the price of 30.

The CHAIRMAN. None below and none above?

Mr. TYLER. All at 30, all day long.

Mr. PECORA. Have you made any investigation to ascertain what person or persons engaged in those trades on the opening day?

Mr. TYLER. Yes; I made an analysis of all of those trades as to the purchasers. We determined that approximately 750 shares of this stock was bought by employees of the Civic Opera Co., one of Mr. Insull's hobbies. As to the sales, we were not able to determine the actual sellers, but we find that they were all sold by two brokers, namely, Farnum, Winter & Co. and M. D. Cahn & Co. Farnum, Winter & Co. and M. D. Cahn & Co. are known as brokers for both the Insull group and for Halsey, Stuart & Co.

Mr. PECORA. Now, can you give us a recapitulation, by week or month, of the course of trading in that security during January, February, and March, we will say, of 1929?

Mr. TYLER. I can give you—by the course of trading, Mr. Pecora, I presume you mean the volume?

Mr. PECORA. The volume and the range of prices.

Mr. TYLER. The volume and the range of prices?

Mr. PECORA. Yes, sir.

Mr. TYLER. I have stated that on January 17 the volume was 4,150 shares. January 18 the volume was 16,950 shares.

Mr. PECORA. You are talking about the number of shares now?

Mr. TYLER. Yes; when I say volume, I mean the number of shares. They ranged from $33\frac{1}{2}$ to 40, closing at 40.

On the 19th the volume was 9,250 shares, with a range from $37\frac{1}{4}$ to $38\frac{1}{2}$.

On the 21st, 15,650 shares, ranging from 33 to 39, closing at 35.

On the 22d—

Mr. PECORA. Do not give it to us by days. Have you not a weekly or monthly recapitulation?

Mr. TYLER. The monthly volume I have recapitulated. I have not the monthly range in price, but I can give that very quickly by a glance at my sheets here.

Mr. PECORA. All right.

Mr. TYLER. The monthly volume of Insull Utility Investments (Inc.), for January, was 91,525 shares.

February, 122,250 shares.

Mr. PECORA. Give us the range as you go along by month, will you? The range in price, so we will know from month to month what the range was.

Mr. TYLER. The range in January was from 30 to a high of 40, closing the month at $35\frac{1}{4}$.

In February the range was from $35\frac{1}{2}$ to a high of $48\frac{1}{2}$, closing at 46.

The volume for March was 54,400; the range for March was from 37 to 46, closing at $40\frac{1}{4}$.

The volume for April was 26,150, with a range from $40\frac{3}{4}$ to 44, closing at $41\frac{1}{4}$.

Mr. PECORA. Mr. Tyler, as you give those monthly volumes, can you also include what number of those tradings, or the volume of those tradings that you traced or attributed to any of the Insull group corporations, or any of the individuals connected with it, or Halsey, Stuart & Co.?

Mr. TYLER. I can. I was up to May, I believe. I can go back to January. The Insull group bought—I might say, before I give these statistics, that we examined approximately 8 or 10 brokers to find the trades, and all that we had an opportunity to examine before being called here. Of those 8 or 10 brokers we found in the Insull

group that they had bought during January 8,035 shares, and sold 2,000 shares.

Bought in February 1,970 shares, and sold 3,070 shares.

Bought in March 4,820 shares, and sold 200 shares.

Bought in April 500 shares, and sold 1,545 shares.

In May the total volume was 22,200. The Insull group bought 1,080 shares, and sold 2,190 shares.

Mr. PECORA. When you say the Insull group, do you include trades of Halsey, Stuart & Co. under it?

Mr. TYLER. Yes, sir.

Mr. PECORA. All right. Go ahead.

Mr. TYLER. The range during that month was from 38½ to 41, closing at 38.

In June the volume was 101,450 shares. The Insull group bought 4,143 shares, and sold 5,535 shares. In June the range was from 38 to a high of 54, closing at 51½.

In July the volume was 942,050 shares. The Insull group bought 6,325 shares, and sold 46,192.

Mr. PECORA. What was the range?

Mr. TYLER. The range in that month was from a low of 52 to a high of 127½, closing at 126.

In August the total volume was 794,480 shares. The Insull group bought 28,964 shares, and sold 21,072 shares. The range was from a low of 104 to a high of 149½, closing at 110½.

The September total volume was 436,550 shares. The Insull group bought 6,993 shares, and sold 3,964 shares. The range during September was from a low of 104½ to a high of 116, closing at 107.

In October the total volume was 435,650 shares. The Insull group purchased 51,005 shares, and sold 2,284 shares. The October range was from 40 low to a high of 108, closing at 70.

The November total volume was 273,150 shares. The Insull group bought 16,989 shares, and sold 247 shares. The range during November was from 39½ to 55, closing at 55½.

The December total volume was 297,200 shares. The Insull group purchased 6,198 shares, and sold 4,109 shares. The range for December, 1929, was from 54 low to a high of 66, closing at 60½.

Mr. PECORA. Have you made an analysis of the same operations in the market for the year 1930?

Mr. TYLER. Yes; I have. I have a complete analysis of 1930, also, along the same lines.

Mr. PECORA. Will you give it to us month by month?

Mr. TYLER. January, 1930, the total volume was 149,050 shares. The Insull group purchased 42,091 shares, and sold 12,830 shares. The range was from 53 low to a high of 64½, closing at 63½.

In February, 1930, the total volume was 151,850 shares. The Insull group purchased 59,160 shares, and sold 9,230 shares. The range during February was from 63½ to a high of 70½, closing at 67½.

The March total volume was 223,650 shares. The Insull group bought 68,500 shares, and sold 18,620 shares. The range was from 67½ low to a high of 70½, closing at 68¼.

The April total volume was 160,350 shares. The Insull group purchased 68,500 shares, and sold 18,620 shares. The April range was from 67¼ to 69¼, closing at 68¾.

The May total volume was 139,600 shares. The Insull group bought 47,100 shares, and sold 42,114.

Senator BROOKHART. What was the purchase?

Mr. TYLER. Forty-seven thousand and one hundred shares purchased by the Insull group, and sold 42,114 shares.

Senator BROOKHART. They were getting their stock back now?

Mr. TYLER. The range for May was 64 low to a high of 67, closing at 65.

The June total volume was 236,800 shares. The Insull group purchased 110,800 shares, and sold 72,460 shares. In June the range was from 52 to 67½, closing at 56.

In July the total volume was 220,650 shares. The Insull group purchased 122,700 shares, and sold 86,583 shares. The range during July was from 55½ low to a high of 62½, closing at 61½.

Mr. PECORA. Mr. Tyler, have you a separate recapitulation or tabulation in one document of these monthly sales and purchases?

Mr. TYLER. Yes, sir.

Mr. PECORA. I mean have you got it here?

Mr. TYLER. Yes; that is what I am reading from.

Mr. PECORA. I will get you to let me have that, and we will spread that on the record without the necessity of reading all these tabulations. It takes a lot of time.

Mr. TYLER. That does not include the prices, Mr. Pecora, but I have a detail here, day by day, of the high, low, and closing.

Mr. PECORA. Well, will you supplement this recapitulation with the information showing the range of prices month by month?

Mr. TYLER. Just add that to this?

Mr. PECORA. Yes, and submit it to the committee as soon as you are able to do it, and it can be spread in full on the record.

The CHAIRMAN. There will be no objection to that.

Mr. PECORA. And have you, Mr. Tyler, prepared a similar report based upon an examination and investigation of similar records with respect to the Corporation Securities Co. of Chicago?

Mr. TYLER. I have.

Mr. PECORA. Will you recapitulate those transactions in the same manner, and when you have completed it submit it to the reporter so that it may be spread on the record?

Mr. TYLER. I will do that.

The CHAIRMAN. Does that record also include transactions of the Insull family and Halsey, Stuart & Co. interests?

Mr. TYLER. Well, we have included the Insull group.

The CHAIRMAN. That includes Halsey, Stuart & Co.?

Mr. TYLER. It includes Halsey, Stuart & Co.; yes, sir.

Mr. PECORA. And when you do that, let me have it and we will put it in the record.

Mr. TYLER. All right.

(The witness was excused.)

(The report thereafter furnished by Mr. Tyler is here printed in the record as follows:)

WASHINGTON, D. C., March 13, 1933.

The following is a report of the result of the investigation of Corporation Securities Co. of Chicago and Insull Utility Investments (Inc.) for the Committee on Banking and Currency of the United States Senate by myself and associates.

The report discloses that inordinate profits were made by the individuals and firms in connection with the organization and financing of these corporations.

The investment house of Halsey, Stuart & Co. appears to have obtained the greater portion of these profits, a partial summary of their share being as follows:

Profit on sale of \$2,000,000 debentures A back to Insull Utility Investments (Inc.)	\$3, 995, 388
Profit Insull Utility Investments (Inc.) \$5.50, preferred warrants	7, 500, 000
Value of 57,000 shares of Insull Utility Investments (Inc.) received as a bonus for sale of stock and debentures	2, 280, 000
Profit on sale of \$60,000,000 Insull Utility Investments (Inc.) debentures B	3, 300, 000
Excess of opening market value over cost of Corporation Securities Co. of Chicago, common stock	27, 800, 000
Total	44, 955, 388

The investigation in my opinion disclosed the existence of various unsound practices.

In the succeeding section of this report is presented further information in addition to that presented by oral evidence which was ascertained from the investigation of the affairs of Insull Utility Investments, (Inc.) and Corporation Securities Co. of Chicago.

Respectfully submitted.

EDWARD M. TYLER, C. P. A.
Member of firm, *Tyler, Stovall & Co.*,
Certified Public Accountants..

ORGANIZATION OF INVESTMENT TRUSTS AND STOCK FLOTATIONS

INSULL UTILITY INVESTMENTS (INC.)

Insull Utility Investments (Inc.) was incorporated under the laws of the State of Illinois on December 27, 1928.

The initial issue of stock of 200 shares was to the incorporators for \$1,000 on January 4, 1929.

On January 11, 1929, the corporation acquired from the Insull family the following securities and at the following values:

	Value
1,000 shares Insull, Son & Co. common	\$1, 250, 000. 00
19,293.6 shares Middle West Utilities Co. 6 per cent preferred	2, 006, 534. 40
29,928 shares Middle West Utilities Co. common	5, 147, 441. 60
472 shares Midland Utilities Co. A preferred	46, 492. 00
6,090 shares Peoples Gas Light & Coke Co. capital stock	1, 315, 440. 00
Total	9, 765, 908. 00

Stock was issued in payment as follows:

To—	Preferred	Amount	Common	Amount
	<i>Shares</i>		<i>Shares</i>	
Samuel Insull	25, 456	\$2, 545, 600. 00	486, 176	\$3, 669, 170. 27
Mrs. Samuel Insull	3, 692	369, 200. 00	70, 461	531, 769. 17
Martin J. Insull	4, 924	492, 400. 00	94, 122	710, 338. 73
Samuel Insull, jr.	5, 928	592, 800. 00	113, 241	854, 629. 83
Total	40, 000	4, 000, 000. 00	764, 000	8, 765, 908. 00

As a part of this purchase a contract was entered into with the stockholders and reduced to writing on January 17, 1929, which contained the following provisions:

1. Preferred stock (first series) were to have dividends at the following rates:

First year	\$2. 00
Second year	3. 00
Third year	4. 00
Fourth year	5. 00
Fifth year	6. 00

2. The stockholders were given an option to purchase 200,000 shares of common stock at \$15 per share within two years.

3. Samuel Insull, Samuel Insull, jr., and Martin J. Insull agreed to serve the corporation in any capacity for a period of two years without compensation.

4. Samuel Insull agreed to purchase or cause to be purchased 250,000 shares of common stock within one year at the price of \$12 per share.

The sale in accordance with item No. 2 on the foregoing page was made on December 28, 1929, at which time 200,000 shares were sold for a total of \$3,000,000.

The sale of 250,000 shares at \$12 per share was made in accordance with the fourth section to individuals as per the attached schedule A.

On January 17, 1932, \$6,000,000 in 5 per cent gold debentures, with warrants to purchase 5 shares of common stock for each \$100 of debentures at \$15 per share within the first six months, were sold to Halsey, Stuart & Co. at par.

On July 31, 1929, the corporation reacquired, ex warrants, from Halsey, Stuart & Co., \$2,000,000 par value of these debentures at 90 plus accrued interest in exchange for 46,458 shares of common at 40. The market closed on July 31, 1929, for Insull Utility Investments (Inc.), at a price of 126.

At that time this represented to Halsey, Stuart & Co., an unrealized profit, in the common stock, of \$3,995,388.

Additional debentures A were reacquired, ex-warrants, from Halsey, Stuart & Co. as follows:

August 24, 1929, \$250,000 at 90.....	\$225, 000
September 25, 1929, \$500,000 at 95.....	475, 000
October 3, 1929, \$250,000 at 95.....	237, 500
November 5, 1929, \$276,000 at 93.80.....	258, 888
Total (\$1,276,000).....	1, 196, 388

There was reacquired, ex-warrants, from Insull Son & Co., the following:

September 3, 1929, \$255,000 at 88 and 89.....	\$226, 400
December 31, 1930, \$10,000 at 90.25.....	9, 025
Total (\$265,000).....	235, 425

There were also purchased, ex-warrants, from Field, Glore & Co. \$7,000 at 66.35 or \$4,645.

January 18, 1929, the corporation sold to Halsey, Stuart & Co. 60,000 shares of \$5.50 prior preferred stock, with warrants to purchase 5 shares of common at \$15 per share prior to June 30, 1929, for the sum of \$6,000,000.

Insull Utility Investments (Inc.) common stock closed at \$40 per share on January 18, 1929, and continued to rise until August 2, 1929, at which time it reached the price of 149¼. On the basis of the January 18, 1929, closing the warrants were worth \$25 per share (\$40—\$15=\$25). The 60,000 shares of \$5.50 prior preferred carried warrants for 300,000 shares of common which, valued at \$25 per share would result in \$7,500,000 as a profit or bonus to Halsey, Stuart & Co. at the time of purchase.

As additional compensation for the underwriting of the \$6,000,000 in debentures and \$6,000,000 in \$5.50 prior preferred stock, Halsey, Stuart & Co. were given 57,000 shares of common stock by the stockholders. The value of these on January 18, 1929, was \$2,280,000 on the basis of \$40 per share.

On August 31, 1929, 450,000 shares of preferred stock, second series, with conversion warrants, were sold to Utilities Securities Co. at 95 allocating 80 to the preferred stock and 15 to the value of the warrants. The total amount thus received was \$42,750,000.

On January 1, 1930, the corporation issued \$60,000,000 6 per cent gold debentures with warrants at 94. These were underwritten by Halsey, Stuart & Co. and retailed at 99½ with warrants. This represents a profit to Halsey, Stuart & Co. of \$3,300,000.

The foregoing constitutes the major financing of Insull Utility Investments (Inc.), but from the inception of the corporation to August 30, 1930, common stock was sold, including the before mentioned, on which the corporation realized \$101,845,293.56. If this stock had been sold in the market at the price prevailing during each month in which it was sold the corporation would have realized

\$231,387,442.37. In other words the corporation sold this stock for \$129,542-148.81 less than the market value.

On August 2, 1929, the common stock of this company attained the price of \$149 per share. On July 30, 1929, there was outstanding 2,027,146 shares of common for which the company had received an average price of \$19.88 per share or a total of \$40,330,502.48. Had these shares been sold on the market during the same months in which they were sold for the mean (average) price obtainable, the sum of \$101,701,725 would have been realized. The difference is \$61,371,-222.52.

At \$149 a share, this stock had a market value as of August 2, 1929, seven months after the corporation was formed, of \$302,044,754, or seven and one-half times the invested capital. That any such value should be placed on this stock is ridiculous may be illustrated by the fact that to earn 6 per cent on the market value on August 2, 1929, the corporation would have to earn \$18,122,685.24 yearly or 44 per cent on the invested capital of \$40,330,502.48.

As a matter of fact the net profit for the entire year of 1929, exclusive of stock dividends, and the sale of rights, both of which do not constitute income (stock dividends recorded as \$234,144.09 and sale of rights \$8,059,555.26), was \$1,948,-265.85. This amount covering the entire year, lacks \$16,174,419.39 of the required amount or in other words the earnings amounted to less than one-fifteenth the amount that would have been required to have paid a 6 per cent return on the market value at the end of the first seven months of operation. The earnings, in terms of percentage, on the market value as of August 2, 1929, were four-tenths of 1 per cent.

CORPORATION SECURITIES CO. OF CHICAGO

Corporation Securities Co. of Chicago was organized on October 5, 1929. The opening transaction on that day was the issue of 1,045,433 shares to Samuel Insull and family and 1,000,000 shares to Halsey, Stuart & Co. at a price of \$12.112 plus per share. In addition, 45,436 shares of "Three dollar optional preferred stock" were sold to Samuel Insull and family at \$50 per share.

Payment was made in the following manner, cash \$65,750.83, organization expense carried forward \$36,647.25 and 304,540 shares of Insull Utility Investments (Inc.) common stock, at price of \$100, totaling \$30,454,000. At the same time the company assumed indebtedness of \$3,510,000.

On October 14, 1929, the corporation issued 654,564 units consisting of one share of preferred and one share of common stock at \$75 per unit. The corporation realized \$49,092,300 and applied \$50 per share to the preferred stock and \$25 per share to the common stock.

That these units were sold at too high a figure may be illustrated if it is borne in mind that after selling the 654,564 units the company could only liquidate on the basis of \$3.94 in cash and 0.11279 share of Insull Utility Investments (Inc.) common stock for each share of the company's common stock. In other words, a purchaser of common stock at \$25 per share paid \$21.06 (\$25 less \$3.94) for 0.11279 share of Insull Utility Investments (Inc.) common stock at the rate of \$186.74. October 14, 1929, Insull Utility Investments (Inc.), common, closed at 104½.

On October 19, 1929, the first trading in the units took place at \$100 per unit. Due to a conversion privilege in the preferred stock in the unit one share of preferred was worth one and one half shares of common. Therefore, a unit was worth two and one half shares of common. A price of \$100 per unit is equal to \$40 per share for the common. A purchaser of common stock at \$40 per share was paying \$36.06 (\$40 less \$3.94) for 0.11279 share of Insull Utility Investments (Inc.) common stock or purchasing Insull Utility Investments (Inc.) common stock at the rate of \$319.73 per share. On this day (October 19, 1929) the stock closed at a price of \$97 per share.

On November 15, 1929 (1 month and 10 days after the purchase), it was necessary to write down Insull Utility Investments (Inc.) common stock to \$15,074,730 or by more than half.

On April 4, 1930, 1,250,000 shares of common stock was issued at \$25 per share to Corporation Syndicates and Insull, Son & Co. for which \$31,250,000 in cash was realized.

On September 15, 1930, by resolution of the board of directors \$40,000,000 of serial gold notes were sold to Halsey, Stuart & Co. at \$95.45 plus accrued interest. However, only \$30,000,000 were issued for which the corporation received \$28,865,139.01 in cash and Halsey, Stuart & Co. were relieved of the necessity of buying the balance of \$10,000,000. This completes the public financing of Corporation Securities Co. of Chicago.

MARKET MANIPULATIONS

On January 17, 1929, the common stock of Insull Utility Investments (Inc.) was listed and trading began that day. The volume of trading on this first day consisted of 4,150 shares, all at \$30 per share. At this time the only stock outstanding was in the hands of the Insull family so it was possible for them to dictate the price to prevail. The price of 30 is four times the price which the Insull family paid for their stock just 6 days previously. All sales on this day were made by the brokerage houses of M. D. Cahn & Co. and Farnum Winter & Co. Both houses were brokers for Insull and Halsey, Stuart & Co.

On February 7, 1929, Halsey, Stuart & Co. made a contract with Utility Securities Co. whereby Utility Securities Co. was to sell 93,500 shares of stock of Insull Utility Investments (Inc.) common stock at \$40 or better. Utilities Securities Co. was to have the excess over \$40 and up to \$42, but above that amount the excess was to be divided equally. Mr. Stuart, president of Halsey, Stuart & Co., stated that 57,000 shares of this amount were given to them as additional compensation in connection with the sale of the \$6,000,000 preferred stock and \$6,000,000 of debentures and the balance of the 93,500 shares was from the exercise of warrants on the debentures. The profit on the 57,000 shares has been accounted for (see p. 1695), but there remains to be accounted for the profit on 36,500 shares acquired through the exercise of warrants detached from debentures A. This is explained in the following paragraph.

In addition to what debentures A were sold, ex warrants, to the public by Halsey, Stuart & Co., the corporation bought back \$3,176,000 worth, ex warrants, from Halsey, Stuart & Co., which means that Halsey, Stuart & Co. exercised warrants and acquired 158,800 shares of Insull Utility common. Therefore, the 36,500 shares required to complete the sale of 93,500 shares must have come from the warrants at \$15 per share. The sale of these 36,500 shares at \$40 gives a profit of \$912,500.

On June 21, 1929, 250,000 shares of Insull Utility Investments (Inc.) were sold to Utility Securities Co. under the same arrangement as that made between Halsey, Stuart & Co. and Utility Securities Co. The price obtained was at an average of \$41,854 per share or \$10,463,512.73 net to the corporation. At this time a program of publicity was started with an advertisement in many Chicago papers which included a statement of estimated 1929 earnings of \$2,819,103. The actual earnings for the year were \$1,948,265.85, or less than the advertised estimate by \$870,837.15. Following this several news articles stated similar estimates and there were several references to rumors of new properties being acquired. The result of this propaganda was to run the price up to 149½ on August 2, 1929, during which time Utility Securities Co. was selling Insull Utility Investments (Inc.) common stock in the market as well as privately. During the period from June 21 to July 30, 1929, the Chicago Daily News carried 23 items on Insull and the Chicago Daily Tribune 21 items. The monthly volume and price range are shown on Schedule B following this report. The total trades in the market from June 21 to July 30, 1929, were 998,100 shares.

On January 20, 1930, at which time Halsey, Stuart & Co. purchased \$60,000,000 of debentures B, a contract was entered into between Halsey, Stuart & Co. and Insull Utility Investments (Inc.) wherein Insull Utility Investments (Inc.) agree to maintain the market in their common stock for four days after the offer of the debentures to the public. See photostatic copy of letter attached. (Schedule C.)

Insull, Son & Co. were designated to maintain this price on the common stock and between January 23 and 31, 1930, the following trades were made in the market by them.

1930	Bought	Sold	1930	Bought	Sold
Jan. 23.....	4,800	1,700	Jan. 30.....	9,350	500
Jan. 24.....	2,050	650	Jan. 31.....	1,050	200
Jan. 27.....	3,150	3,600			
Jan. 28.....	2,900	1,000	Total.....	25,050	9,300
Jan. 29.....	1,750	1,650			

On August 15, 1930, a syndicate was formed with Insull, Son & Co. in which Insull, Son & Co. were to maintain the market on Insull Utility Investments (Inc.) common at a price of \$57.50 per share. They were to maintain the market on common rights at \$1.50 per right and \$0.68 per right on preferred rights.

The trades of this syndicate are shown on Schedule D attached. The total trades were 107,601 shares purchased and 64,503 shares sold.

Photostatic copy of syndicate agreement is attached. (Schedule E.)

Corporation Securities Co. of Chicago units were listed on October 19, 1929, on the Chicago Stock Exchange. That day 1,140 units were sold at a price range between 99¾ and 100¾ closing at 100¾. Of the total sales during this first day, H. L. Stuart purchased 250 units (100 at 99¾ and 150 at 100) and sold 600 units (150 at 100, 100 at 100¾, 200 at 100½ and 150 at 100¾). As these units had not been offered to the public until October 14, it is apparent that there was only a very small quantity available for public sale and in view of the fact that H. L. Stuart sold more than 50 per cent of the total volume traded on the exchange, it is also apparent that the price was made by his trades.

On the basis of the market value thus established at \$40 per share for the common stock the organizers of Corporation Securities Co. of Chicago reaped a large profit. That of Halsey, Stuart & Co. was \$27,880,000 and the Insull family of \$29,146,671.

On March 31, 1930, a contract was made between Corporation Securities Co. of Chicago and Utility Securities Co. wherein Corporation Securities Co. of Chicago was to protect the market on allotment certificates between \$69.50 and \$70 for a period of 90 days after April 3, 1930. During the months of April, May, and June, 1930, the trades in Corporation Securities Co. of Chicago were as follows (see also Schedule I):

Insull group:

Bought.....	63,125
Sold.....	7,541
Total volume.....	83,900

Price range:

High.....	72½
Low.....	62
Close.....	63¾

BANK LOANS, POSITION OF COLLATERAL, ETC.

From almost the very beginning these corporations were very large borrowers from banks using as collateral the securities held by the two corporations. The following is a statement of bank loans at the end of the year.

	1929	1930	1931
Corporation Securities Co.....		\$15,881,745	\$15,750,000
Insull Utility Investments.....	\$27,949,163	58,476,218	53,257,145

In addition to loans to the corporations named above loans were made to other corporations and individuals of the Insull group and the following is a summary of loans by Chicago banks which exceeded the legal limit in the aggregate.

First National Bank of Chicago, Ill.

Total loans to Insull group April 16, 1932-----	\$20, 080, 267. 21
Capital-----	25, 000, 000. 00
Surplus-----	25, 000, 000. 00
Total capital and surplus-----	50, 000, 000. 00
Percentage of loans to combined capital and surplus, 40 per cent.	
Percentage of loans to capital, 80 per cent.	

Continental Illinois Bank & Trust Co., Chicago, Ill.

Total loans to Insull group April 16, 1932-----	\$59, 857, 135. 23
Capital-----	75, 000, 000. 00
Surplus-----	65, 000, 000. 00
Total capital and surplus-----	140, 000, 000. 00
Percentage of loans to combined capital and surplus, 43 per cent.	
Percentage of loans to capital, 80 per cent.	

Central Republic Bank & Trust Co., Chicago, Ill.

Total loans to Insull group April 16, 1932-----	\$11, 157, 069. 70
Capital-----	14, 000, 000. 00
Surplus-----	10, 000, 000. 00
Total capital and surplus-----	24, 000, 000. 00

Percentage of loans to combined capital and surplus, 46 per cent.

Percentage of loans to capital, 80 per cent.

All debentures issued by these two corporations contained covenants that the assets of the corporations would not be pledged to the extent of more than 50 per cent of such assets unless the debentures were secured ratably with the loans so secured. On October 1, 1931, the 50 per cent point was exceeded, and it increased month by month thereafter until December 31, 1931, and remained the same until the date of bankruptcy. Statements of the condition of loans, etc., were made to the boards of directors and finance committees weekly, and each member of the board and the finance committee knew when the covenants in the debentures were broken. H. L. Stuart, president of Halsey, Stuart & Co., was a member of these boards and finance committees and had knowledge of the breach of the covenant, but the firm of Halsey, Stuart & Co. continued to sell these debentures. A list of the sales taken from the sales tickets of Halsey, Stuart & Co. from October 1, 1931, to, and in some cases beyond, the date of receivership is attached hereto. (Schedule F.)

All statements issued by these companies contained inflated income reports, and the balance sheets were inflated to the extent that stock dividends and proceeds from the sale of subscription rights were included in the value of assets. When stock dividends are received, nothing has been added of value to the original stock. This point was decided by the Supreme Court of the United States in the case of *Eisner v. Macomber* (252 U. S. 189). The sale of rights should not be treated as income except for the amount by which the proceeds exceed the equity which attaches to the rights. In no case were rights sold by the companies sold at a profit.

In 1929 a corporation was formed which existed for less than a month and whose only activity was to purchase from Insull Utility Investments (Inc.) a number of stock subscription rights, upon which a value was placed of \$8,059,000. The rights were paid for with 100 shares, the total capital of this corporation and the value of \$8,059,000 applied to the capital. This \$8,059,000 was improperly included in income of Insull Utility Investments (Inc.). Schedule G-H shows the adjustments of income for these corporations to the proper amount.

These statements were more misleading to the public in that they were certified to by firms of accountants. The auditors in the case of Insull Utility Investment (Inc.) were Arthur Young & Co., and for Corporation Securities Co. of Chicago—Touche, Niven & Co.

In June, 1930, after a contest between Samuel Insull and Cyrus J. Eaton for the control of the Insull group of corporations, the two investment trusts purchased from Mr. Eaton the securities which he had acquired paying him \$350 per share which was more than \$100 per share above the then market value of these securities. The total consideration for this purchase was \$56,000,000 which was paid by \$48,000,000 cash and \$8,000,000 in stock of the two investment trusts.

An interesting example of the inflationary methods pursued and which were finally reflected in the books of account of the Corporation Securities Co. of Chicago, and which tended to obscure the true state of affairs of the company, is contained in the following description of a purchase and immediate write-up of the value of 557,000 shares of Middle West Utilities, new common stock.

It appears from their books that on October 14, 1929, just nine days after organization, the Corporation Securities Co. of Chicago contracted to buy on open account 557,000 shares of Middle West Utilities, new common, at \$24.136 plus per share, or a total purchase price of \$13,443,794.26. This was the first purchase of securities by the new corporation, other than the original securities obtained as a result of the consolidation of the old Corporation Securities Co. and Western Securities Co.

On this same day, October 14, 1929, the corporation made entries on its books increasing the book value of this 557,000 shares of Middle West Utilities stock by over 86 per cent above cost, or \$11,611,301.92; thus making this investment appear on its books at a value of \$25,055,096.18.

Although the market value of the stock at that time was about equal to the increased value shown, the corporation followed an unsound practice in carrying this increase into its investment account and absorbing the credit therefor in its common capital stock account and in surplus reserves.

The application of the increase was as follows:

Common stock.....	\$4, 111, 301. 92
Reserve for contingencies, investments, market value decline, or for other purposes.....	7, 000, 000. 00
Reserve for organization expense.....	500, 000. 00
Total.....	11, 611, 301. 92

The effect of the foregoing was to "water" the then outstanding common stock of Corporation Securities Co. of Chicago to the extent of about 47 per cent. It also caused the books to reflect an apparent but fictitious surplus equal to, approximately, 24 per cent of the total preferred and common stock outstanding, although up to this point the books showed no surplus or surplus reserves of any character whatsoever.

Schedule J attached shows purchases and sales by the Insull group of Corporation Securities Co. of Chicago, common stock, also the monthly volume of trades and the price range from April, 1930, to April, 1932.

SCHEDULE A

Insull Utility Investments (Inc.) common stock sold at \$12 per share

	Shares
Albright, Chas. D., care of Isham, Lincoln & Beal, 72 West Adams Street.....	1, 500
Andrus, L. B., Guaranty Building, Indianapolis, Ind.....	1, 000
Annan, J. Gilroy, 32 Bishopsgate, London, E. C. 2, England.....	1, 125
Adams, C. C., 137 South La Salle Street, Chicago.....	500
W. L. Abbott, 72 West Adams Street, Chicago.....	1, 000
Alschuler, Benj. P., 57 Fox Street, Aurora, Ill.....	1, 000
Arthur, William, care of Isham, Lincoln & Beale, 72 West Adams Street, Chicago.....	500

	Shares
Bullard, Edward M., care of Isham, Lincoln & Beale, 72 West Adams Street-----	500
Budd, Britton I., 72 West Adams Street, Chicago-----	2, 195
Barrett, Oliver R., care of Cooke, Sullivan & Ricks, 310 South Michigan Avenue, Chicago-----	300
Blackinton, Fred L., care of Cooke, Sullivan & Ricks, 310 South Michigan Avenue, Chicago-----	250
Brewster, Walter S., 112 West Adams Street, Chicago-----	6, 000
Brice, John P., care of Lake County Land Association, 72 West Adams Street-----	100
Burns, Geo. E., 72 West Adams Street, Chicago-----	100
Bird, Miss Esther, care of P. J. McEnroe, 72 West Adams Street-----	350
Bradley, Ralph R., The Rookery, 209 South La Salle Street, Chicago-----	500
Busby, Leonard A., 38 South Dearborn Street, Chicago-----	750
Barkman, Alice M., care of Chicago Civic Opera Co., Chicago, Ill.-----	50
Cooke, Judge, Geo. A., care of Cooke, Sullivan & Ricks, 310 South Michigan Avenue, Chicago-----	3, 000
Conerty, Jos. A., care of Cooke, Sullivan & Ricks, 310 South Michigan Avenue, Chicago-----	750
Chase, C. W., 1085 Broadway, Gary, Ind.-----	1, 000
Curtin, Emmett R., The Lima Trust Co., Lima, Ohio-----	1, 000
Clinch, R. Floyd, The Rookery, 209 South La Salle Street, Chicago-----	1, 000
Cunningham, James A., 72 West Adams Street, Chicago-----	100
Crum, Miss I. Ruth, 72 West Adams Street, Chicago-----	100
Cooke, Sullivan & Ricks Investment Fund, care of Judge Geo. A. Cooke, 310 South Michigan Avenue, Chicago-----	1, 000
Culver, Wm. H., 72 West Adams Street, Chicago-----	500
De Clercq, A. G., 72 West Adams Street, Chicago-----	1, 000
Dunbaugh, Harry J., care of Isham, Lincoln & Beale, 72 West Adams-----	2, 000
Doyle, E. J., 72 West Adams Street, Chicago-----	2, 000
Dines, Homer D., care of Cooke, Sullivan & Ricks, 310 South Michigan Avenue, Chicago-----	1, 000
Daily, F. L., care of Cooke, Sullivan & Ricks, 310 South Michigan Avenue, Chicago-----	1, 000
Dell Plain, Morse, 649 Hohman Street, Hammond, Ind.-----	1, 000
Daniels, Charles W., 72 West Adams Street, Chicago-----	200
Evers, Frank R., Utility Securities Co., 230 South La Salle Street, Chicago-----	500
Ellis, George Corson, 122 South Michigan Avenue, Chicago-----	500
Evers, J. W., jr., 72 West Adams Street, Chicago-----	1, 000
Elliott, Dr. Arthur R., 30 North Michigan Avenue, Chicago-----	200
Ettelson, Samuel A., Room 514, City Hall, Chicago-----	250
Elliott, R. L., 72 West Adams Street, Chicago-----	100
Ferguson, Louis A., 72 West Adams Street, Chicago-----	2, 000
Fiedler, Edw. H., care of Cooke, Sullivan & Ricks, 310 South Michigan Avenue, Chicago-----	2, 000
Feustel, Robert M., care of Indiana Service Corporation, 310 West Maine Street, Fort Wayne, Ind.-----	1, 000
Forsey, P. G., 32 Bishopsgate, London, E. C. 2, England-----	250
Foreman, Gen. Milton J., 38 South Dearborn Street, Chicago-----	1, 000
Flexner, Washington, 732 Sherman Street, Chicago-----	500
Fox, William A., 72 West Adams Street, room 1124, Chicago-----	500
Gilchrist, John F., 72 West Adams Street, Chicago-----	2, 000
Gulick, John H., 72 West Adams Street, Chicago-----	2, 000
Guinan, James J., care of Cooke, Sullivan & Ricks, 310 South Michigan Avenue, Chicago-----	1, 500
Graham, E. V., 72 West Adams Street, Chicago-----	1, 500
Gear, H. B., 72 West Adams Street, Chicago-----	500
Griffin, W. V., 72 West Adams Street, Chicago-----	250
Gorman, W. S., Midland Utilities Co., 122 South Michigan Avenue, Chicago-----	200
Gardner, Addison L., jr., 134 South La Salle Street, Chicago-----	500

	Shares
Geddes, William, care of Illinois Merchants Trust Co., 231 South La Salle Street, Chicago.....	500
Gamashe, Harry, 1828 No. Springfield Avenue, Chicago.....	25
Hedrick, Edwin, care of Cooke, Sullivan & Ricks, 310 South Michigan Avenue, Chicago.....	1, 200
Heign, Harry B., 137 South La Salle Street, Chicago.....	300
Harsbarger, Miss Dema, care of Civic Concert Service (Inc.) 58 East Congress Street, Chicago.....	1, 000
Hare, Mrs. S. Johnson, care of P. J. McEnroe, 72 West Adams Street, Chicago.....	350
Hare, F. Lumsden, care of P. J. McEnroe, 72 West Adams Street, Chicago.....	100
Harding, Charles A., 72 West Adams Street, Chicago.....	500
Harcourt, Mrs. Alice, care of P. M. McEnroe, 72 West Adams Street, Chicago.....	60
Halsey, Stuart & Co., 201 South La Salle Street, Chicago.....	43, 000
Hansen, Miss I. F., Hawthorne Farm, Lake County, Ill.....	100
Insull, Son & Co. (Inc.), 72 West Adams Street, Chicago.....	10, 000
Insull, Martin J., 72 West Adams Street, Chicago.....	10, 000
Jenkins, Paul A., 230 South La Salle Street, Chicago.....	400
James, Lieut. Col. R. H., 72 West Adams Street, Chicago.....	1, 000
Joiner, T. E., 137 South La Salle Street, Chicago.....	900
Johnson, H. M., Auditorium Theater, 58 East Congress Street, Chicago.....	1, 000
Jones, Geo. R., 72 West Adams Street, Chicago.....	1, 000
Jay, N. Dean, care of J. P. Morgan & Co., Wall and Broad Streets, New York City.....	2, 000
Kemp, Geo. A., 230 South La Salle Street, Chicago.....	500
Ketting, E. Odgen, care of P. J. McEnroe, 72 West Adams Street, Chicago.....	1, 125
Keily, W. E., 72 West Adams Street, Chicago.....	500
Kulbker, Miss Ruby, Hawthorn Farms, Lake County, Ill.....	50
Lawyer, John C., care of Cooke, Sullivan & Ricks, 310 South Michigan Avenue, Chicago.....	500
Lloyd, E. W., 72 West Adams Street, Chicago.....	1, 500
Lucey, P. J., 10 South La Salle Street, Chicago.....	1, 000
Lewis, C. W., 72 West Adams Street, Chicago.....	100
Learned, John G., 72 West Adams Street, Chicago.....	1, 000
Larsonn, Wm. E., Libertyville Trust & Savings Bank, Libertyville, Ill.....	100
Lawler, Herbert F., 3658 Flournoy Street, Chicago.....	25
McKeever, Buell, care of Isham, Lincoln & Beale, 72 West Adams Street.....	2, 000
Matthews, Ben. H., care of Isham, Lincoln & Beale, 72 West Adams Street.....	1, 000
Mitchell, Geo. F., 122 South Michigan Avenue, Chicago.....	2, 000
McEnroe, P. J., 72 West Adams Street, Chicago.....	2, 000
Mulholland, S. E., Northern Indiana Public Service Co., Fort Wayne, Ind.....	1, 000
Myers, L. E., Monadnock Building, Chicago.....	2, 000
Mullaney, B. J., 122 South Michigan Avenue, Chicago.....	1, 000
Mueller, Richard, 72 West Adams Street, Chicago.....	500
Mehan, W. M., 72 West Adams Street, Chicago.....	100
McGuire, Catherine A., 72 West Adams Street, Chicago, room 1700.....	100
Monroe, W. S., care of Sargent & Lundy, 72 West Adams Street, Chicago.....	1, 000
McInerny, W. A., South Bend, Ind.....	500
Morgan, Marshall S., 120 South Broad Street, Philadelphia, Pa.....	1, 000
Mott, Milan C., State Bank of Mundelein, Mundelein, Ill.....	100
Miller, Benjamin H., Libertyville, Ill.....	150
Merz, C. H., New Castle-upon-Tyne, England.....	1, 000
Otis, Jos. E., 125 West Monroe Street, Chicago.....	1, 000
Obee, T. W., 72 West Adams Street, Chicago.....	50
O'Donnell, Florence, 72 West Adams Street, Chicago, room 1218.....	250
Ouersker, C. B., care of Illinois Merchants Trust Co., Chicago.....	50
Porter, Gilbert E., care of Isham, Lincoln & Beale, 72 West Adams Street.....	5, 000

	Shares
Peabody, Stuyvesant, 332 South Michigan Avenue, Chicago-----	2, 000
Peniston, Cordova L., 112 West Adams Street, Chicago-----	2, 000
Pennington, William A., 230 South La Salle Street, Chicago-----	500
Public Service Trust, 72 West Adams Street, Chicago-----	2, 000
Pahlman, H. H., 137 South La Salle Street, Chicago-----	200
Purcell, T. V., 122 South Michigan Avenue, Chicago-----	500
Pilkington, R. R., 72 West Adams Street, Chicago-----	100
Perry, W. S., care of Carter & Co., 115 Broadway, N. Y-----	1, 000
Peden, Thos. J., 9047 Commercial Avenue, Chicago-----	200
Powers, Margaret E., 244 East Pearson Street, Chicago-----	30
Parshall, H. F., London, England-----	1, 000
Quinn, E. J., 134 South La Salle Street, Chicago-----	2, 000
Quinn, Martin J., care of E. C. Benedict & Co., 71 Broadway, N. Y-----	2, 000
Russell, E. P., 112 West Adams Street, Chicago-----	4, 000
Rust, H. B., care of Koppers Co., Union Trust Building, Pittsburgh, Pa-----	1, 000
Rudd, W. G., 72 West Adams Street, Chicago-----	500
Rice, J. F., 72 West Adams Street, Chicago-----	100
Ray, Harold E., Auditorium Theater, Chicago-----	100
Rowe, John C., 30 Church Street, New York City-----	1, 000
Ryan, Gen. Jas. A., 111 Broadway, New York City-----	1, 000
Rider, Mrs. L. V., 655 Federal Building, Chicago-----	50
Raef, James J., 72 W. Adams Street, Chicago-----	250
Ricks, Jesse J., care of Cooke, Sullivan & Ricks, 310 South Michigan Avenue, Chicago-----	1, 000
Rimini, Madam Rosa Raisa, care of P. J. McEnroe, 72 West Adams Street, Chicago-----	290
Sullivan, Boetius H., 310 South Michigan Avenue, Chicago-----	5, 000
Scheel, Fred H., 230 South La Salle Street, Chicago-----	8, 500
Shearon, B. P., 122 South Michigan Avenue, Chicago-----	500
Schuyler, Daniel J., 234 South Clark Street, Chicago-----	1, 500
Scheinman, Jesse D., 310 South Michigan Avenue, Chicago-----	1, 000
Sauer, W. A., 122 South Michigan Avenue, Chicago-----	1, 000
Swope, Gerard, 120 Broadway, New York City-----	2, 000
Stewart, I. M., 2920 Forty-fourth Place, Washington, D. C-----	300
South Trimble, care of Wyoming Apartments, Washington, D. C., placed by Judge Geo. A. Cooke-----	1, 000
Sargent & Lundy, 72 West Adams Street, Chicago-----	1, 000
Suter, Arthur E., Libertyville Trust & Savings Bank, Libertyville, Ill-----	200
Swan, Chester B., 1639-72 West Adams Street, Chicago-----	50
Taber, David F., care of Isham, Lincoln & Beale, 72 West Adams Street-----	2, 000
Tobey, Waldo F., care of Isham, Lincoln & Beale, 72 West Adams Street-----	5, 000
Tossell, A. L., 122 South Michigan Avenue, Chicago-----	500
Thompson, F. L., 6906 Constance Avenue, Chicago-----	500
Thompson, Charles, 72 West Adams Street, Chicago-----	500
Trigge, Alfred B., care of Rowe & Flagg, 30 Church Street, New York-----	1, 000
Talley, Mrs. Ester, room 901, 820 Tower Court, Chicago-----	125
Timms, Albert, Hawthorn Farm, Lake County, Ill-----	100
Utilities Securities Syndicate, care of E. V. Graham, 72 West Adams Street, Chicago-----	2, 000
Utilities Syndicate No. 2, care of Walter S. Brewster, 112 West Adams Street, Chicago-----	2, 000
Van Arsdel, E., care of J. F. Wild Building, Indianapolis, Ind-----	1, 000
Wing, John E., care of Isham, Lincoln & Beale, 72 West Adams Street-----	2, 000
White, H. A., care of Cooke, Sullivan & Ricks, 310 South Michigan Avenue, Chicago-----	500
Waite, R. W., care of Utility Securities Co., 230 South La Salle Street, Chicago-----	750
Woodford, J. T., care of Utility Securities Co., 230 South La Salle Street, Chicago-----	200
Williamson, Geo., 72 West Adams Street, Chicago-----	750
Wing, H. E., 72 West Adams Street, Chicago-----	500

	Shares
Weinfeld, Charles, 234 South Clark Street, Chicago.....	250
Wright, Peter B., 72 West Adams Street, room 1432, Chicago.....	50
Weber, Evelyn, 72 West Adams Street, room 1436, Chicago.....	100
Willson, Fanny, Mrs., care of Carter & Co., 115 Broadway, New York, joint account of Messrs. W. S. Perry and F. S. Cutter.....	50
Young, Owen D., 120 Broadway, New York City.....	4, 000
Total original list.....	223, 000
Total supplemental list (follows).....	27, 000
Grand total.....	250, 000

Supplemental list

	Shares		Shares
E. D. Alexander.....	500	Dempster MacMurphy.....	600
A. J. Authenrieth.....	500	Oliver E. McCormick.....	1, 000
L. B. Breedlove.....	300	John A. McPhail.....	500
Allen E. Burns.....	500	Mississippi Valley Utilities In-	
D. F. Burritt.....	200	vestment Co.....	800
W. A. Buttrick.....	100	G. C. Neff.....	400
J. Paul Clayton.....	1, 000	E. B. Neiswanger.....	500
T. R. Crumley.....	500	Harry Reid.....	2, 950
E. A. Davis.....	600	Marshall E. Sampsell.....	2, 500
C. J. Eaton.....	500	C. B. Scott.....	1, 000
G. W. Fry.....	200	W. C. Sharp.....	150
A. H. Gossard.....	450	J. H. Shearer.....	200
E. V. Graham.....	700	J. Brodie Smith.....	500
G. W. Hamilton.....	1, 000	George Otis Spencer.....	600
A. Hardgrave.....	800	R. D. Stevenson.....	1, 000
L. B. Herrington.....	1, 000	W. S. Vivian.....	300
C. C. Herrmann.....	500	G. S. Williams.....	100
A. W. Higgins.....	250	Walter S. Wyman.....	600
Fred W. Insull.....	600	C. B. Zeigler.....	500
William Insull.....	50		
James C. Kennedy.....	600	Total supplemental list.....	27, 000
Eustace J. Knight.....	1, 000	Total original list.....	223, 000
F. E. Kruesi.....	600		
A. Lieberman.....	350	Grand total.....	250, 000

SCHEDULE B

Insull Utilities Investment (Inc.), common stock purchases, sales, and prices

Date	Insull group		Monthly volume of trades	Price range during month		
	Bought	Sold		High	Low	Close
1929						
January.....	8, 036	2, 000	91, 625	40	30	35½
February.....	1, 970	3, 700	122, 250	53	36½	46
March.....	4, 820	200	54, 400	47½	37	40¾
April.....	500	1, 645	26, 150	43½	40¼	41¼
May.....	1, 080	2, 190	22, 200	41½	38	38
June.....	4, 143	5, 435	101, 450	54	38	51½
July.....	6, 325	46, 192	942, 050	127½	52	126
August.....	28, 964	21, 072	794, 480	149¼	92	110¾
September.....	6, 993	3, 164	432, 550	121½	104	107
October.....	51, 005	2, 284	435, 650	108½	40	70
November.....	16, 989	247	273, 150	70	37	55½
December.....	6, 198	4, 909	297, 200	69½	54	60½
Total, 1929.....	137, 022	92, 938	2, 593, 055			

Insull Utilities Investment (Inc.), common stock purchases, sales, and prices—Con.

Date	Insull group		Monthly volume of trades	Price range during month		
	Bought	Sold		High	Low	Close
1930						
January.....	42,091	12,830	149,050	64½	53¾	64
February.....	59,106	9,236	151,850	70½	63½	67¾
March.....	26,565	42,250	223,650	70½	67½	68¾
April.....	68,500	18,620	160,350	69¾	66½	68½
May.....	74,100	32,414	139,600	64½	61	65
June.....	110,800	73,466	236,800	65	51½	56
July.....	122,700	86,583	220,650	63¾	55¼	61½
August.....	126,653	85,811	191,200	62	57	59
September.....	102,875	51,144	238,150	59¼	46	49¼
October.....	127,970	77,095	413,900	52¾	43¼	44¾
November.....	139,002	103,836	420,000	45½	36¾	40½
December.....	165,800	115,898	449,700	41¼	27½	29¼
Total, 1930.....	1,166,216	709,183	2,994,900			
1931						
January.....	56,095	15,230	289,200	42¾	28¾	40¾
February.....	40,437	8,028	238,200	49¾	39¾	46
March.....	15,635	13,639	131,050	47¾	39	39¼
April.....	17,687	22,844	186,750	39½	30¾	33¾
May.....	29,743	46,398	152,300	34¾	27½	29
June.....	61,855	74,084	342,500	34¾	21	31¾
July.....	45,000	55,867	256,200	33½	26¾	27½
August.....	30,170	32,158	157,900	28¾	26	27
September.....	88,212	73,501	394,550	27¼	11½	12½
October.....	48,614	50,851	297,700	14½	7¾	12½
November.....	28,350	10,976	121,400	14¾	9¾	10½
December.....	91,502	54,000	264,450	11	4	6
Total, 1931.....	553,300	457,576	2,832,200			
1932						
January.....	42,701	24,569	137,250	6¼	3¾	4
February.....	4,949	12,936	121,600	4¾	1¾	2
March.....	6,143	74,854	147,900	2	¾	¾
Apr. 16.....	2,023	0	56,850	¾	½	¾
Total, 1932.....	55,816	112,359	463,600			

SCHEDULE C

HALSEY STUART & Co. (INC.),
Chicago, December 31, 1929.

MR. SAMUEL INSULL,
Chairman Insull Utility Investment (Inc.),
Chicago, Ill.

DEAR SIR: Confirming conversation with you, we have agreed to purchase, and you have agreed to sell, \$60,000,000 Insull Utility Investments (Inc.), 10-year 6 per cent gold debentures with characteristics substantially as described in the attached proof of circular, dated December 31. The purchase price is to be 94 and accrued interest at the date of delivery, such delivery to be made to us at our office in Chicago on January 20 next.

We understand that you will furnish, free of expense to us, the approving legal opinion of Messrs. Isham, Lincoln & Beale.

We also understand that you agree to maintain the market on Insull Utility Investments (Inc.'s) common stock at the closing price on the day prior to dealers' offerings for four business days thereafter.

If the foregoing is in accordance with your understanding, will you kindly confirm by signing and returning the attached carbon copy of this letter to us.

Yours very truly,

HALSEY, STUART & Co.

Accepted: Subject to the legally authorized increase in common stock.

INSULL UTILITY INVESTMENTS (INC.),
By SAMUEL INSULL, Chairman.

SCHEDULE D

Insull Utility Investment (Inc.) common stock purchases and sales by Insull Son & Co. (Inc.)

Date	Shares		Prices	
	Purchases	Sales	High	Low
1930				
Aug. 15.....	5,650	5,350	59 $\frac{1}{4}$	57 $\frac{1}{2}$
Aug. 18.....	9,150	5,650	59 $\frac{1}{4}$	58 $\frac{1}{2}$
Aug. 19.....	3,900	3,150	59 $\frac{1}{2}$	58 $\frac{1}{2}$
Aug. 20.....	1,300	500	59 $\frac{1}{2}$	58 $\frac{3}{4}$
Aug. 21.....	2,300	1,050	59	58 $\frac{1}{2}$
Aug. 22.....	900	600	58 $\frac{3}{4}$	58 $\frac{1}{2}$
Aug. 25.....	1,950	450	59	58 $\frac{1}{2}$
Aug. 26.....	4,200	3,200	59 $\frac{1}{2}$	58 $\frac{1}{2}$
Aug. 27.....	8,650	5,750	60 $\frac{1}{2}$	59 $\frac{1}{4}$
Aug. 28.....	5,700	2,850	60 $\frac{1}{2}$	60
Aug. 29.....	3,000	950	59	58 $\frac{1}{4}$
Total.....	46,700	29,500		
Sept. 2.....	1,500	1,150	59 $\frac{1}{4}$	58 $\frac{1}{4}$
Sept. 3.....	4,700	300	58 $\frac{1}{4}$	58
Sept. 4.....	5,650	3,900	58 $\frac{1}{4}$	57 $\frac{1}{2}$
Sept. 5.....	1,100	850	58	57 $\frac{1}{2}$
Sept. 8.....	4,750	2,050	57 $\frac{3}{4}$	57
Sept. 9.....	2,700	302	57 $\frac{3}{4}$	57 $\frac{1}{4}$
Sept. 10.....	1,100	300	57 $\frac{3}{4}$	57 $\frac{1}{4}$
Sept. 11.....	4,200	1,400	57 $\frac{1}{2}$	56
Sept. 12.....	1,930	668	56 $\frac{3}{4}$	55 $\frac{3}{4}$
Sept. 15.....	6,121	11,290	56	53 $\frac{3}{4}$
Sept. 16.....	4,350	4,553	57	55
Sept. 17.....	7,400	5,150	57 $\frac{3}{4}$	56 $\frac{3}{4}$
Sept. 18.....	3,600	870	57 $\frac{1}{2}$	56 $\frac{3}{4}$
Sept. 19.....	5,800	850	55 $\frac{3}{4}$	55 $\frac{1}{2}$
Sept. 22.....	6,000	1,400	55	51 $\frac{3}{4}$
Total.....	60,901	35,033		

SCHEDULE E, PAGE 1

INSULL UTILITY INVESTMENTS

SYNDICATE AGREEMENT

This agreement, dated August 15, 1930, by and between Insull, Son & Co. (Inc.), an Illinois corporation (hereinafter called the syndicate manager), party of the first part, the subscribers hereto (hereinafter called severally the subscribers and collectively the syndicate), parties of the second part, and Insull Utility Investments (Inc.), an Illinois corporation (hereinafter called the Investments Co.), party of the third part, witnesseth:

Whereas the Investments Co. pursuant to a resolution of its board of directors adopted at a meeting of said board on July 28, 1930, is offering for subscription to the holders of its outstanding stock of all classes, 600,000 shares of the common stock of the Investments Co. at a price of \$50 per share; and

Whereas the Investments Co. has requested the syndicate manager to form a syndicate to purchase so many of said shares of common stock, if any, as shall not be subscribed, pursuant to the terms of said offer, by the persons entitled to subscribe therefor and to purchase in the market shares of the common stock of the Investments Co. and the subscription rights with respect thereto; and

Whereas the syndicate manager and the subscribers desire to form a syndicate for said purposes and the Investments Co. and the syndicate desire to enter into an agreement fixing the terms of such purchase and the conditions with respect to supporting the market for such shares and such rights and the compensation to be paid to the syndicate;

Now, therefore, in consideration of the premises and of the mutual undertakings herein contained, the parties have agreed and do agree as follows:

First. The subscribers hereby form a syndicate for the purpose (1) of purchasing from the Investments Co. so many of said 600,000 shares of common stock of the Investments Co. to be offered to its stockholders pursuant to said

resolution as shall not be subscribed by the persons entitled to subscribe therefor and (2) of purchasing in the market shares of the common stock of the Investments Co. and subscription rights with respect thereto, all upon the terms and conditions provided in the agreement between the Investments Co. and the syndicate manager set forth in paragraph 10 hereof. Insull, Son & Co. (Inc.), is hereby appointed the syndicate manager of the syndicate. The subscribers hereto severally subscribe and agree to pay to the syndicate manager at its office, 20 North Wacker Drive, Chicago, Ill., the amounts set opposite their respective names. Each subscriber shall make payment of his subscription as follows: Five per cent of the amount of his subscription shall be paid when and as called for by the syndicate manager after this agreement shall have been declared by the syndicate manager to be in effect and the remainder of each subscription shall be paid from time to time when and as called for by the syndicate manager but only after notice to the subscribers of not less than five days as to each call. The several subscribers shall be called upon to make payment of their subscriptions only ratably according to the several amounts thereof; but to the full extent of his undertakings each subscriber shall be responsible regardless of performance or nonperformance by any other subscriber. In the same proportion, except as otherwise herein provided, each subscriber shall be entitled to share in the benefits and shall bear any loss resulting to the syndicate under this agreement. Nothing herein contained shall constitute the parties hereto partners or shall render any one of the subscribers liable to contribute more than the amount of his several subscription.

Second. In case of the failure of any subscriber promptly to perform any of his undertakings hereunder, the syndicate manager, in behalf of itself and the syndicate, shall have, and at its sole and exclusive option may exercise, the right to exclude such subscriber from all interest in or under the syndicate; and in the discretion of the syndicate manager, without any proceedings either at law or in equity, in such manner and on such terms as it shall deem expedient, and without demand or notice, it may at public or private sale dispose of such participation hereunder or of any interest or right of such subscriber hereunder, and thereupon all interest and right of such defaulting subscriber hereunder shall cease and determine. At any public sale under this article of any interest or right of any subscriber or his transferee, the syndicate manager, or any party hereto, may become purchaser for its, or for his, own benefit, without accountability. Notwithstanding any sale, whether public or private, the defaulting subscriber shall be responsible to the syndicate manager for the benefit of the syndicate for all damages resulting from any such failure on his part not exceeding the amount unpaid on his subscription hereto with lawful interest.

Third. The subscribers nominate and appoint the syndicate manager their agent and attorney, with full power and authority to do any and all acts and things and to enter into and execute any and all agreements or other instruments necessary, proper, or expedient in the premises to carry out and perform this agreement according to its true intent and meaning. The syndicate manager is expressly authorized and directed for the account of the syndicate to purchase, upon all the terms and conditions stated in paragraph 10 hereof, and subject to the express limitations in said paragraph contained, shares of the common stock of the Investments Co. and subscriptions rights with respect thereto and in general shall have full power and authority to carry out the undertakings and agreements of the syndicate manager with the Investments Co., all as provided in said paragraph 10 hereof. The syndicate manager shall also have full power and authority to exercise subscription rights acquired by it and in its discretion to sell, at one time or from time to time, the shares of common stock and rights of the Investments Co. held for the account of the syndicate in such manner and at such price or prices as the syndicate manager may deem expedient. All sales shall be for the account of the syndicate and the proceeds therefrom may be applied to any of the purposes of this agreement. The syndicate manager may make advances or may borrow money for the account of the syndicate as from time to time it may deem expedient for any of the purposes of this agreement and may pledge any stock or property of the syndicate, including the obligations of the respective subscribers hereunder, as security for money borrowed.

Fourth. All dividends payable on any stock held for the syndicate may be collected and received by the syndicate manager for the account of the syndicate. The syndicate manager shall have authority to vote all stock held by it for the account of the syndicate at any and all meetings of the Investments Co. The syndicate manager shall be the sole manager of the syndicate, and in behalf of the syndicate may make any and all arrangements and do and perform any and

all acts, even if not herein provided for, that in its opinion shall be or may become necessary or expedient in order to consummate the purposes of this agreement or to promote or protect what the syndicate manager shall deem to be the best interest of the syndicate. The enumeration of specific powers in any paragraph of this agreement shall not be construed as in any way abridging the general powers by this or any other paragraph intended to be conferred upon or reserved to the syndicate manager.

Fifth. As compensation for its services hereunder the syndicate manager shall be paid a fee of one-tenth of 1 per cent of the aggregate subscription price of the number of shares underwritten by the syndicate. The syndicate manager shall have authority, from time to time and at any time, to incur such expenses as it may deem proper in carrying out, or in endeavoring to carry out, this agreement, or in doing any act or thing which it may deem to be in the interest of the syndicate. All expenses incurred hereunder by the syndicate manager and the fee of the syndicate manager hereinbefore provided for shall be paid out of moneys of the syndicate in the hands of the syndicate manager and shall be a prior charge in favor of the syndicate manager upon any and all moneys, stocks, and property received or held hereunder for the syndicate.

Sixth. The syndicate manager shall, by notice to the subscribers, declare this agreement in effect and operative when and not before subscriptions, approved by the syndicate manager, for a total of \$30,000,000 shall have been made hereunder. Unless \$30,000,000 shall have been subscribed for hereunder on or before August 25, 1930, this agreement on that date shall be and become void and of no effect. This agreement shall continue in force and operation until December 15, 1930, but the syndicate manager may in its discretion extend the same to a date not later than March 16, 1931, in which event this agreement shall continue in force until such extended date, provided that the syndicate manager may in its uncontrolled discretion terminate this agreement at any time before its termination under the foregoing provisions. Upon the termination of this agreement and after first paying all expenses and liabilities incurred hereunder, including the fee provided for in paragraph 5 hereof, the syndicate manager shall pay over, assign, and distribute to the subscribers all shares of common stock then remaining in the hands of the syndicate manager and all remaining cash and other assets then held hereunder, such distribution and payment to be made ratably in the proportion of the several amounts subscribed hereunder by the subscriber, except only that in lieu of the distribution of fractional shares of stock, adjustments shall be made in cash on the basis of the average cost to the syndicate of all shares purchased on its account. No subscriber shall be entitled to receive any stock, or the proceeds thereof, held for the syndicate under this agreement until the termination of the syndicate under the provisions hereof.

Seventh. The syndicate manager shall not be liable under any provision of this agreement, or for any matter therewith connected, except for lack of good faith in performing the obligations by it herein expressly assumed, the implication of any obligation not herein expressly assumed by it being hereby expressly denied and waived. It is understood that, in the same manner as other subscribers, the syndicate manager and/or the Investments Co. may become subscribers hereto; that as such subscribers they shall be liable for any subscriptions by them made; and that in all respects they shall be entitled to the same rights and benefits as any other subscribers.

Eighth. Each subscriber shall set opposite his subscription hereunder an address to which notices, calls, or other communications may be sent, and any notice, call or other communication addressed to any subscriber at the address so given, and either left at such address or mailed, shall be deemed actually given to such subscriber and shall be sufficient for all the purposes hereof. If any subscriber shall fail so to furnish his address to the syndicate manager he shall not be entitled to any notice of calls or offers or any other notice hereunder and he shall be deemed to assent to any action of the syndicate manager.

Ninth. The syndicate manager shall issue to the several subscribers suitable receipts in respect of moneys paid or advanced hereunder, or certificates of interest of such tenor and form as it may deem suitable. Such certificates of interest and all rights and obligations hereunder of the respective subscribers may be made transferable in such manner and on such terms and conditions as the syndicate manager may prescribe; but no transfer hereunder shall be valid unless assented to in writing by the syndicate manager, and, unless otherwise expressly provided in such assent, the transferor shall continue to be liable for the payment of the unpaid part of the transferred subscription until the same shall be fully paid.

Tenth. (a) The Investments Co. hereby agrees to sell to the syndicate and the syndicate manager hereby agrees to purchase from the Investments Co. for and on behalf of the syndicate, at the price of \$50 per share, such number of said 600,000 shares of common stock of the Investments Co. to be offered for subscription to its stockholders pursuant to the resolution of July 28, 1930, as shall not be subscribed for on or before September 15, 1930, pursuant to the offer of subscription by the persons entitled to subscribe therefor. For the shares purchased hereunder the syndicate manager shall pay the Investments Co. under one or both of the two following plans, to wit: (1) In one payment of \$50 per share on September 15, 1930; or (2) In 10 equal installments of \$5 per share each, one on September 15, 1930, and one on the 15th day of each of the nine calendar months in the period commencing with the month of October, 1930, and ending with the month of June, 1931 (except that the February and March, 1931, installments shall be payable on the 16th instead of the 15th of those months). Any installment may be prepaid at any time. The number of shares to be paid for under each of said plans shall be determined by the syndicate manager and within five days after September 15, 1930, the syndicate manager shall notify the Investments Co. of the number of shares to be paid for under each of said plans. As to all shares agreed to be purchased hereunder with respect to which such notice shall not be given, the syndicate manager shall be conclusively deemed to have selected the 10-payment plan. Deliveries of any of the shares purchased shall be made from time to time as desired by the syndicate manager upon full payment to the Investments Co. at its office for the shares delivered. In the case of all shares paid for in installments the Investments Co. shall pay to the syndicate manager interest to the ex-dividend date next preceding the date of issue, upon all installments paid prior to such preceding ex-dividend date, at the rate of 4 per centum per annum. Ex-dividend dates, hereinabove referred to, are as follows: September 30, 1930, December 15, 1930, and March 15, 1931.

(b) The syndicate manager agrees to support the market for shares of the common stock of the Investments Co. and the subscription rights with respect thereto, making use, to the extent required for the purpose, of all the means and resources available to it as syndicate manager hereunder, provided that no purchase need be made on the market on behalf of the syndicate at a price in excess of \$57.50 per share for shares of said common stock or in excess of \$1.50 per right for rights issued to holders of common stock or in excess of \$0.68 per right for rights issued to holders of preferred stock, and provided further that the obligation to support the market, as herein expressed, shall terminate upon the termination of this agreement or whenever prior thereto a total of 120,000 shares or the equivalent thereof in rights, shall have been purchased in the market by the syndicate manager. For the purpose of this subparagraph (b) 5 fractional rights issued to holders of common stock or 11 fractional rights issued to holders of preferred stock shall be taken as equivalent to 1 share.

(c) The Investments Co. in consideration of the agreements of the syndicate manager in this paragraph tenth contained, and as compensation to the syndicate for its undertakings herein, shall pay to the syndicate manager for the account of the syndicate the sum of \$600,000, being at the rate of \$1 for each share of common stock underwritten by the syndicate and \$1.50 for each share of stock or the equivalent thereof in rights (but not to exceed 120,000 shares) purchased by the syndicate manager pursuant to the provisions of subparagraph (b) of this paragraph tenth. Such payment shall be made on or prior to the termination of this agreement at the option of the Investments Co.

(d) This agreement between the Investments Co. and the syndicate manager may be modified by their mutual consent in any respect except as to the purchase price of the stock and the compensation to be paid to the syndicate manager.

Eleventh. This agreement shall bind, and is for the benefit of, the parties hereto and their successors, executors, and administrators, severally and respectively.

In witness whereof, the syndicate manager has caused this agreement to be executed in its corporate name by its proper officers under its corporate seal, and the Investments Co. to evidence the undertakings and agreements made by it as expressed in paragraph tenth hereof, has caused this agreement to be executed in its corporate name by its proper officers under its corporate seal, and the subscribers at various dates have made their subscriptions hereto, it being understood that for convenience this agreement may be subscribed in several parts and copies

with like force and effect as though all the subscriptions were upon one part or copy thereof.

INSULL, SON & Co. (INC.),
By E. V. GRAHAM, *Vice President*.

Attest:

M. E. CARNEY, *Assistant Secretary*.

INSULL UTILITY INVESTMENTS (INC.),
By SAMUEL INSULL, Jr., *President*.

Attest:

JOHN F. O'KEEFE, *Secretary*.

SCHEDULE F

CORPORATION SECURITIES CO. OF CHICAGO

Five per cent gold notes maturing September 1, 1932—Record of sales by Halsey, Stuart & Co. from October 1, 1931, to April 16, 1932, as taken from sales tickets of Halsey, Stuart & Co.

Date	Name of purchaser	Par value	Price sold	Amount received on principal
1931				
Oct. 1	Citizens Bank, Spencerville, Ohio.....	\$3,000.00	90	\$2,700.00
3	A. A. Reeves and associates.....	1,000.00	91.50	915.00
	Jos. H. Lee.....	2,000.00	92	1,840.00
5	David K. Tone.....	2,000.00	88	1,760.00
	A. A. Reeves and associates.....	2,000.00	91.50	1,830.00
6	Arthur C. Wright.....	1,000.00	80	800.00
7	Ralph W. Croker.....	4,000.00	80	3,200.00
9	State Bank, Panaman, Ill.....	2,000.00	80	1,600.00
	Bonbright & Co.....	5,000.00	68	3,400.00
10	United States Underwriters.....	5,000.00	80	4,000.00
13	Farmers & Merchants Bank, Vandalia, Ill.....	2,000.00	75	1,500.00
	Lincoln Park National Bank, Lincoln Park, Mich.....	5,000.00	78	3,900.00
	Ed. J. Quinn.....	1,000.00	73	730.00
14	State Bank, of Mundelein, Ill.....	3,000.00	83	2,490.00
15	Hickey Doyle & Co.....	1,000.00	74	740.00
	Frank & Chas. Buchman.....	1,000.00	75	750.00
17	Miss Marion Bothwell.....	1,000.00	77	770.00
	First National Bank, Altamont, Ill.....	1,000.00	71	710.00
19	J. B. Grove.....	1,000.00	74	740.00
	Fuller Cruttenden Co.....	6,000.00	77.50	4,650.00
	Peoples National Bank, Chicago, Ill.....	20,000.00	78	15,600.00
	Libertyville Trust & Savings Bank, Libertyville, Ill.....	2,000.00	83	1,660.00
	Salem National Bank, Salem, Ill.....	5,000.00	72	3,600.00
20	Mrs. Rose Goodman.....	5,000.00	79	3,950.00
	G. C. Reynolds.....	1,000.00	71	710.00
26	Ottumwa Ice Co.....	2,000.00	77.50	1,550.00
	Carson Goldsmith & Co.....	10,000.00	72.50	7,250.00
22	Clayton Bank & Trust, Clayton, Del.....	2,000.00	70	1,400.00
23	Warren Boynton State Bank, New Berlin, Ill.....	2,000.00	79.50	1,590.00
	Bruce Securities Co.....	5,000.00	75	3,750.00
	do.....	5,000.00	74.50	3,725.00
28	Farmers & Merchants Bank.....	1,000.00	76	760.00
31	R. L. Bowen.....	1,000.00	76.50	765.00
Nov. 3	A. C. Rincheimer.....	2,000.00	76	1,520.00
	Peoples State Bank, Prairie du Chain, Wis.....	2,000.00	90	1,800.00
	G. E. Rincheimer.....	1,000.00	76	760.00
4	Henry Straus.....	2,000.00	76.50	1,546.39
	Mrs. Myra Reich.....	1,000.00	79.50	795.00
5	William S. Vinson.....	2,000.00	73	1,460.00
	W. T. Dofflemeyer.....	5,000.00	75	3,750.00
6	Chas. A. Rincheimer.....	1,000.00	76	760.00
	A. J. Cole.....	1,000.00	76	760.00
	Miss Etta Briley.....	1,000.00	76	760.00
9	Fred E. Hyatt.....	1,000.00	97.20	972.00
10	Miss Elizabeth L. Ford.....	1,000.00	76	760.00
13	C. W. Velser.....	1,000.00	76	760.00
	Fuller Cruttenden & Co.....	5,000.00	83.125	4,156.25
16	A. J. Cole.....	1,000.00	84	840.00
18	C. G. Thomas.....	3,000.00	83	2,490.00
19	Geo. W. Blow.....	5,000.00	96.98	4,849.00
	C. B. Burpee.....	1,000.00	85	850.00
20	Bank of Sellwood, Portland, Oreg.....	2,000.00	85	1,700.00
21	First Trust & Savings Bank, Taylorville, Ill.....	6,000.00	85.50	5,130.00
24	Geo. L. Davis.....	1,000.00	83.50	835.00
	Jos. B. Mount.....	1,000.00	92	920.00
	Fred Happel.....	1,000.00	84	840.00
25	Mrs. Myra Reich.....	1,000.00	79.50	795.00
	Chas. B. Phillips.....	2,000.00	75	1,500.00

Five per cent gold notes maturing September 1, 1932—Record of sales by Halsey, Stuart & Co. from October 1, 1931, to April 16, 1932, as taken from sales tickets of Halsey, Stuart & Co.—Continued

Date	Name of purchaser	Par value	Price sold	Amount received on principal
1931 Dec. 1	State Bank, of Cherry, Ill.....	\$1,000.00	69	\$690.00
	Kinton Savings Bank, Kinton, Ohio.....	4,000.00	72.50	2,900.00
	James P. McGee.....	1,000.00	85	850.00
	First National Bank, Mildred, Pa.....	5,000.00	85	4,250.00
2	R. A. Mac Neille.....	1,000.00	68	680.00
	Chas. Frank Bachman.....	3,000.00	70	2,100.00
3	Leland Anderson.....	1,000.00	71	710.00
4	Chas. Klink.....	1,000.00	66	660.00
7	Robert D. Miller.....	1,000.00	62	620.00
	Mrs. Mary R. Sharat.....	1,000.00	70	700.00
	Earl H. Thompson.....	2,000.00	66	1,320.00
9	D. C. Finn.....	2,000.00	65	1,300.00
11	Victor Hemphill.....	1,000.00	62.500	625.00
15	Louis Larsen.....	1,000.00	61	610.00
17	William Krickheper.....	3,000.00	53	1,590.00
18	Carl Jones.....	2,000.00	53	1,060.00
	Hillsborn National Bank.....	3,000.00	64	1,920.00
	William J. Waldschmitt.....	4,000.00	53	2,120.00
21	Geo. A. Puck.....	10,000.00	53	5,300.00
	Rev. Chas. L. McCarron.....	1,000.00	53	530.00
	W. O. Gosselin.....	3,000.00	50	1,500.00
	M. D. Ahercrombie.....	1,000.00	97.13	971.30
	James A. Cunningham.....	10,000.00	43.25	4,325.00
22	Mrs. L. E. Ford.....	1,000.00	40	400.00
	First National Bank, Utica, Nebr.....	1,000.00	53	530.00
23	A. H. Miller.....	1,000.00	62	620.00
	Allen H. Stewart.....	1,000.00	50	500.00
	First National Bank, Tullahoma, Tenn.....	4,000.00	53	2,120.00
24	T. D. Matthiesson.....	2,000.00	42	840.00
	J. S. Christopherson.....	1,000.00	40	400.00
26	Earl L. Pierce.....	3,000.00	40.50	1,215.00
28	Hickey Doyle & Co.....	1,000.00	38.50	385.00
	J. B. Gordon.....	2,000.00	42.50	850.00
	The Fairway Co.....	15,000.00	42.50	6,375.00
	W. J. Harris.....	1,000.00	98.37	983.70
	Citizens State Bank, Shawano, Wis.....	5,000.00	42	2,100.00
29	Walter A. Bechthold.....	4,000.00	50	2,000.00
	Dorothy S. Tucker.....	2,000.00	53	1,060.00
	E. S. Sprague.....	1,000.00	40	400.00
30	Jos. Thal.....	1,000.00	41	410.00
	do.....	1,000.00	53	530.00
	J. D. Phillips.....	1,000.00	42.50	425.00
31	Robert S. Ashe.....	4,000.00	42.50	1,700.00
	N. D. Bachman.....	5,000.00	42.50	2,125.00
Oct. 27	Mrs. J. C. Oliver.....	1,000.00	71	710.00
	Hickey Doyle & Co.....	10,000.00	73.375	7,337.50
1932 Jan. 2	H. J. Calkins.....	2,000.00	42.50	850.00
4	Alexander Grant.....	2,000.00	53	1,060.00
6	Gerhardt Baase.....	1,000.00	30	300.00
	Fuller Cruttenden & Co.....	3,000.00	29	870.00
7	H. J. Calkins.....	1,000.00	40	400.00
8	Geo. W. Ross.....	1,000.00	97.20	972.00
9	E. W. Lawlor.....	3,000.00	32	960.00
11	Edison Cherrington.....	1,000.00	30	300.00
	Gerhardt Busse.....	1,000.00	30	300.00
13	C. W. Velsor.....	1,000.00	42.50	425.00
15	W. J. C. Ralph.....	2,000.00	31	620.00
	Donald Ralph.....	1,000.00	31	310.00
16	W. C. Smith.....	1,000.00	30	300.00
19	A. W. Boylston.....	3,000.00	42.50	1,275.00
	Hulburt Warren & Chandler.....	2,000.00	39	780.00
25	Hickey Doyle & Co.....	1,000.00	34	340.00
26	do.....	1,000.00	34.25	342.50
	Catholic Diocese of Green Bay.....	5,000.00	47.50	2,375.00
	B. N. Paulsrud.....	1,000.00	39	390.00
28	Edwin Gallun.....	5,000.00	35	1,750.00
Feb. 2	E. S. Selby.....	6,000.00	30	1,800.00
3	L. F. Wentzel.....	3,000.00	50	1,500.00
4	Chas. Sincere & Co.....	1,000.00	28.25	282.50
	Hickey Doyle & Co.....	1,000.00	29	290.00
5	Edison Cherrington.....	1,000.00	28.75	287.50
11	Fuller Cruttenden & Co.....	1,000.00	15.50	155.00
16	do.....	4,000.00	15.875	635.00
	do.....	2,000.00	16	320.00
9	Geo. Krutzkowsky.....	1,000.00	30	300.00

Five per cent gold notes maturing September 1, 1932—Record of sales by Halsey, Stuart & Co. from October 1, 1931, to April 16, 1932, as taken from sales tickets of Halsey, Stuart & Co.—Continued

Date	Name of purchaser	Par value	Price sold	Amount received on principal
1932				
Feb. 16	Jerome W. Naylor.....	\$1,000.00	18	\$180.00
	Mrs. Mary Settle.....	1,000.00	97.67	976.70
	Fuller Cruttenden & Co.....	1,000.00	14.50	145.00
19	Watts C. Valentine.....	2,000.00	13.75	275.00
23	Southland Investment Co.....	2,000.00	17	340.00
26	R. F. Parcels.....	1,000.00	10.50	105.00
24	Geo. Krutzikowsky.....	1,000.00	18	180.00
29	Fuller Cruttenden & Co.....	1,000.00	8.50	85.00
Mar. 12	W. D. Hanson.....	1,000.00	16.75	167.50
17	Southland Investment Co.....	3,000.00	9.50	285.00
	W. M. Dickey & Co.....	2,000.00	7.75	155.00
	do.....	1,000.00	7.75	77.50
24	Southland Investment Co.....	6,000.00	6.25	375.00
4	do.....	2,000.00	6.25	125.00
31	Bankers Security Co. of Philadelphia, Pa.....	1,000.00	8.00	80.00
Apr. 6	J. M. Ellis.....	1,000.00	69	690.00
13	First National Co.....	3,000.00	5.25	157.50
8	Hickey Doyle & Co.....	5,000.00	3.75	187.50
	do.....	1,000.00	3	30.00
7	W. M. Dickey & Co.....	1,000.00	3.50	35.00
	Southland Investment Co.....	5,000.00	5.25	262.50
15	Frank J. Bunker.....	1,000.00	96	960.00
20	Jackson Engineering Co.....	1,000.00	98	980.00
	Total, Oct. 1, 1931, to Apr. 20, 1932.....	392,000.00	-----	225,334.84

Five per cent gold notes maturing September 1, 1933.—Record of sales by Halsey, Stuart & Co. from October 1, 1931, to May 3, 1932, as taken from sales tickets of Halsey, Stuart & Co.

Date	Name of purchaser	Par value	Price sold	Amount received on principal
1931				
Oct. 1	Dr. Wm. Cooke.....	\$1,000.00	72.50	\$725.00
2	Mrs. Lena Burton.....	1,000.00	94.50	945.00
2	Dr. L. L. Leonard.....	2,000.00	71.50	1,430.00
6	A. E. Edgcomb.....	4,000.00	71	2,840.00
6	Mrs. W. T. Roos.....	1,000.00	72.50	725.00
7	Geo. W. Mundelein, trustee.....	10,000.00	57.75	5,775.00
10	James J. Quigley.....	5,000.00	71	3,550.00
13	Spencer Ewing.....	3,000.00	58	1,740.00
13	Mrs. Myra Reich.....	1,000.00	52	520.00
13	N. D. Bachman.....	5,000.00	52	2,600.00
15	Mrs. M. Klute.....	1,000.00	54	540.00
15	Jos. Thal.....	1,000.00	54	540.00
17	Miss Jay Keck.....	1,000.00	57	570.00
16	P. O. Baykin.....	2,000.00	58	1,160.00
16	Mr. Otto Kretschmer.....	8,000.00	58.50	4,680.00
17	State Bank of Delwein, Ill.....	1,000.00	52.75	527.50
19	Libertyville Trust and Savings Bank, Libertyville, Ill.....	2,000.00	81	1,620.00
19	Mrs. Rose Goodman.....	15,000.00	52	7,800.00
19	Rose Goodman.....	10,000.00	52	5,200.00
19	Frank R. Muenzen.....	5,000.00	60	3,000.00
19	Fuller Cruttenden & Co.....	2,000.00	58.25	1,165.00
19	do.....	5,000.00	58	2,900.00
19	State Bank of Latimer.....	2,000.00	57.75	1,155.00
20	John Lane.....	1,000.00	72.50	725.00
20	Farmers State Bank, New Madison, Ohio.....	1,000.00	60.75	607.50
20	H. K. Lorentzen.....	1,000.00	95.50	955.00
22	Miss Nellie Edwards.....	2,000.00	60	1,200.00
22	Main Belting Co.....	4,000.00	59	2,360.00
21	Elkville State Bank.....	1,000.00	60	600.00
21	Fred Bennitt.....	2,000.00	81	1,620.00
21	Farnum Winter & Co.....	3,000.00	56.875	1,706.25
21	W. H. Batten.....	1,000.00	60.50	605.00
23	Clement Alderfer.....	1,000.00	61	610.00
23	Central Republic Co.....	1,000.00	67	570.00
23	Farmers State Bank, New Madison, Ohio.....	1,000.00	60.50	605.00

Five per cent gold notes maturing September 1, 1933.—Record of sales by Halsey, Stuart & Co. from October 1, 1931, to May 3, 1932, as taken from sales tickets of Halsey, Stuart & Co.—Continued.

Date	Name of purchaser	Par value	Price sold	Amount received on principal
1931				
Oct. 23	Fuller Cruttenden & Co.	\$2,000.00	57	\$1,140.00
26	H. M. Chapin	1,000.00	58.50	585.00
26	C. B. Ozias	3,000.00	60.50	1,815.00
27	Bank of Sellwood	3,000.00	60.50	1,815.00
27	Edith Randall	2,000.00	60.50	1,210.00
27	Lenore Dunlap	1,000.00	60.50	605.00
27	John Schwarz	1,000.00	56	560.00
29	Geo. R. Jones	1,000.00	57	570.00
29	W. J. Wilsch	1,000.00	60	600.00
27	Blanch Clark	1,000.00	94.50	945.00
31	H. M. Chapin	1,000.00	59	590.00
31	Gretchen Schoenleber	1,000.00	59	590.00
31	E. L. Aquart	1,000.00	58.50	585.00
Nov. 4	State Savings Bank, Woodville, Ohio	5,000.00	61	3,050.00
15	Rose Goodman	10,000.00	59.50	5,950.00
16	Letty Blieden	1,000.00	95	950.00
16	E. S. Selby	2,000.00	74.50	1,490.00
19	Geo. F. Blow	5,000.00	95.21	4,760.50
21	Peter Newburg	4,000.00	58.50	2,340.00
24	Edward Hallett	1,000.00	74	740.00
27	State Bank of Eastman, Wis.	2,000.00	67	1,340.00
Dec. 5	Walter Bechthold	4,000.00	60	2,400.00
9	Fuller Cruttenden & Co.	2,000.00	49	980.00
14	do	5,000.00	41	2,050.00
17	do	4,000.00	37	1,480.00
17	E. M. Kerwin	2,000.00	91	1,820.00
19	Albert J. Taylor, trustee	1,000.00	43	430.00
24	Fuller Cruttenden & Co.	1,000.00	30	300.00
24	R. A. Strecker	1,000.00	37	370.00
24	Geo. E. Fetterman	2,000.00	42	840.00
28	John R. Robertson	1,000.00	94.50	945.00
29	Dr. J. O. Baker	10,000.00	30	3,000.00
31	Robert Ashe	2,000.00	35.50	710.00
1932				
Jan. 4	Mrs. Mae R. Whiting	5,000.00	37	1,837.50
9	Hodgman Manufacturing Co.	1,000.00	93.50	935.00
12	Peter Voelker	1,000.00	94.50	945.00
18	Athens Messenger & Herald Printing Co.	10,000.00	95.50	9,550.00
23	Abram J. Becker	3,000.00	94.50	2,835.00
25	J. L. Wedgwood	1,000.00	27	270.00
25	Hickey Doyle & Co.	1,000.00	24.75	247.50
27	do	3,000.00	20	600.00
29	do	1,000.00	19.50	195.00
29	Fuller Cruttenden & Co.	1,000.00	19.75	197.50
15	Wm. H. Donner	19,000.00	25	4,750.00
Feb. 2	Hickey Doyle & Co.	2,000.00	19.75	395.00
11	Fuller Cruttenden & Co.	1,000.00	14.50	145.00
13	Harry Buck	1,000.00	20.50	205.00
16	John Lauria	1,000.00	94.50	945.00
15	Engence Rice	1,000.00	94.50	945.00
23	Herbert Noble	3,000.00	17	510.00
24	Dewey Ericsson	1,000.00	94.50	945.00
Mar. 7	R. E. Stewart	1,000.00	58.50	585.00
8	Hulburd Warren & Chandler	3,000.00	7	210.00
11	do	1,000.00	8	80.00
11	do	1,000.00	8.25	82.50
Apr. 8	Hickey Doyle & Co.	3,000.00	3	90.00
26	B. C. Getzelman	2,000.00	3	60.00
26	J. A. Safrank	1,000.00	95	950.00
15	Peoples State Bank, Lansing, Iowa	1,000.00	1	10.00
May 3	W. B. Thurbell	1,000.00	94.50	945.00
Total, Oct. 1, 1931, to May 3, 1932		261,000.00	-----	140,891.75

Five per cent gold notes maturing on September 1, 1934—Record of sales by Halsey, Stuart & Co. from October 2, 1931, to April 16, 1932, as taken from sales tickets of Halsey, Stuart & Co.

Date	Name of purchaser	Par value	Price sold	Amount received on principal
1931				
Oct. 2	Wm. J. Welch	\$2,000.00	69	\$1,380.00
5	Dr. L. L. Leonard	1,000.00	69	690.00
5	Charles A. Garrison	1,000.00	70	700.00
5	Tentopolis State Bank, Illinois	1,000.00	69	690.00
6	L. W. Cooney	3,000.00	69	2,070.00
6	Charles L. Tucker	1,000.00	92	920.00
8	John M. Montgomery	1,000.00	46.50	465.00
10	James J. Quigley	5,000.00	82	4,100.00
13	R. E. Crain	2,000.00	56.50	1,130.00
13	Mrs. Myra Reich	1,000.00	50	500.00
13	Judge John F. O'Connell	3,000.00	50	1,500.00
13	Mrs. Mary D. Boykin	2,000.00	50	1,000.00
14	Wm. H. Arthur	10,000.00	50	5,000.00
14	Robert MacNeille	1,000.00	53	530.00
14	J. Fred Conover	2,000.00	69	1,380.00
17	Citizens Bank & Trust Co., Hauma, Iowa	3,000.00	51	1,530.00
16	Walter Tobey	1,000.00	50	500.00
16	Irene I. Clasz	2,000.00	57.50	1,150.00
16	Listed Sec. Car.	1,000.00	56	560.00
16	Peoples State Bank, Lansing, Iowa	2,000.00	50.75	1,015.00
19	Citizens State Bank, Shawano, Wis.	5,000.00	55	2,750.00
20	Mrs. Rose Goodman	5,000.00	55	2,750.00
20	Ludington State Bank, Michigan	5,000.00	57.25	2,862.50
22	S. Purry Pollak	2,000.00	53.50	1,070.00
22	John H. Seal	1,000.00	56	560.00
22	Dr. Elmer Eyman	1,000.00	56.50	565.00
22	Arthur Horton	2,000.00	53	1,060.00
23	J. H. Noyes	1,000.00	65	650.00
23	Milton Gottlieb	1,000.00	55.50	555.00
23	John Maher	1,000.00	56	560.00
26	N. M. Utley	1,000.00	50	500.00
26	Hickey Doyle & Co.	5,000.00	50.50	2,525.00
26	Fred Hellner	1,000.00	56	560.00
27	Arthur Brick	2,000.00	56.50	1,130.00
27	...do...	1,000.00	56	560.00
27	Miss V. S. Runyan	1,000.00	55	550.00
29	Fuller Cruttenden & Co.	3,000.00	54.625	1,638.75
29	George H. McNelly	25,000.00	58	14,500.00
31	G. W. Hubbard	1,000.00	55	550.00
Nov. 3	Miss Ethel Larson	1,000.00	56	560.00
5	M. W. Younkin	3,000.00	57	1,710.00
5	E. F. Putman	1,000.00	56	560.00
6	Farmers State Bank, Pittsfield, Ill.	5,000.00	57	2,850.00
7	Harry Shriver	1,000.00	57	570.00
9	Walter Lobhart	1,000.00	56	560.00
9	C. A. Sprague	1,000.00	57	570.00
9	H. D. Fribbie	1,000.00	57	570.00
10	Charles Sincere & Co.	1,000.00	55.50	555.00
16	Richard Hamm	1,000.00	56.50	562.50
16	E. S. Selby	2,000.00	70	1,400.00
16	Kenton Savings Bank & Trust Co.	10,000.00	58	5,800.00
16	Robert Chittenden	5,000.00	56.50	2,825.00
16	Citizens Bank, Spencerville, Ohio	5,000.00	56.25	2,812.50
18	Mrs. C. H. Jones	1,000.00	56	660.00
18	Major John Welch	1,000.00	68	680.00
19	Mrs. J. Richard Hamm	1,000.00	67.60	675.00
19	Robert Ford	1,000.00	67.50	675.00
20	Mrs. Helen Judd	2,000.00	56.50	1,130.00
23	Mervin Gable	1,000.00	67.50	675.00
23	Mathilde Furst and Gladys Furst	1,000.00	67.50	675.00
24	Bellefontaine National Bank, Ohio	5,000.00	67.50	3,375.00
24	Farmers State Bank, Madelia, Minn.	1,000.00	67.25	677.50
24	Mrs. D. L. Glen	1,000.00	67	670.00
25	Frank Graibb	1,000.00	67	670.00
25	Farmers & Merchants State Bank, Zumbro, Minn.	3,000.00	67.25	2,017.50
27	Mrs. M. T. Clark	5,000.00	56	2,800.00
Dec. 1	R. H. Conyn	2,000.00	62	1,240.00
2	Mrs. Erna Hill	2,000.00	58	1,160.00
3	Miss Wanda Alexander	1,000.00	92	920.00
3	Walter Hall	5,000.00	57	2,850.00
8	Dr. John Lee	1,000.00	62	620.00
8	Herman Falk	10,000.00	63	6,300.00
8	W. E. Brice	10,000.00	54	5,400.00
8	F. J. Bunker	2,000.00	60	1,200.00
9	Sunshine Coal Co.	1,000.00	52.50	525.00
12	Loyd Gebress	1,000.00	54	540.00
14	Reb. William Lane	1,000.00	62	620.00

Five per cent gold notes maturing on September 1, 1934—Record of sales by Halsey, Stuart & Co. from October 2, 1931, to April 16, 1932, as taken from sales tickets of Halsey, Stuart & Co.—Continued

Date	Name of purchaser	Par value	Price sold	Amount received on principal
1931				
Oct. 16	Samuel Carpenter.....	\$1,000.00	52.50	\$525.00
17	H. W. Kellogg.....	1,000.00	51	510.00
18	James Davidson.....	5,000.00	62	3,100.00
18	Dr. T. H. Waters.....	1,000.00	38	380.00
24	Dr. Royal French.....	1,000.00	53.50	535.00
29	Mr. H. McFarland.....	2,000.00	35	700.00
31	Robert Ashe.....	2,000.00	34	680.00
19	Rev. J. Newton Kugler.....	1,000.00	43	430.00
1932				
Jan. 13	Society of Typographic Arts.....	1,000.00	92	920.00
14	Wm. H. Donner.....	10,000.00	25	2,600.00
18	Hickey Doyle & Co.....	7,000.00	20.75	1,452.50
18	do.....	1,000.00	21.25	212.50
15	W. H. Donner.....	2,000.00	25	600.00
21	Mrs. Johanno Herman.....	1,000.00	92	920.00
15	W. H. Donner.....	6,000.00	25	1,500.00
Feb. 1	Hickey Doyle & Co.....	3,000.00	18.50	555.00
1	do.....	2,000.00	18.75	375.00
11	Fuller Crittenden & Co.....	1,000.00	13.25	132.50
16	do.....	1,000.00	12	120.00
16	do.....	4,000.00	11.50	580.00
Mar. 15	Hickey Doyle & Co.....	3,000.00	8.75	262.50
15	Mrs. Telca Seedorff.....	1,000.00	92	920.00
16	Hickey Doyle & Co.....	4,000.00	7.75	310.00
Apr. 16	Peoples State Bank, Lansing, Iowa.....	3,000.00	1	30.00
16	E. P. Lee.....	1,000.00	92	920.00
	Total, Oct. 2, 1931, to Apr. 16, 1932.....	272,000.00	-----	140,216.25

5 per cent gold notes maturing September 1, 1935—Record of sales by Halsey, Stuart & Co. from October 1, 1931, to April 20, 1932, as taken from sales tickets of Halsey, Stuart & Co.

Date	Name of purchaser	Par value	Price sold	Amount received on principal
1931				
Oct. 1	C. A. Straubel.....	\$2,000.00	69	\$1,380.00
	First National Bank, Dagshaw, Del.....	1,000.00	69	690.00
	do.....	3,000.00	69	2,070.00
2	Henry E. Hardtner.....	1,000.00	82	820.00
	Jack Pass.....	1,000.00	96.78	967.80
5	William John Jackson.....	3,000.00	60	1,800.00
	Charles A. Garrison.....	1,000.00	69	690.00
	C. R. Mengel.....	1,000.00	69	690.00
	Prof. H. G. Plum.....	1,000.00	68	680.00
6	Daniel P. Mitchell.....	3,000.00	69	2,070.00
	Allen H. Stewart.....	1,000.00	66	660.00
9	John M. Montgomery.....	1,000.00	47.50	475.00
13	Leston B. May.....	1,000.00	48	480.00
	C. B. Crain.....	1,000.00	48	480.00
	John M. Montgomery.....	3,000.00	63	1,980.00
14	Libertyville T. & S. Bank, Ill.....	5,000.00	86	4,300.00
17	H. A. Straubel.....	1,000.00	56.50	565.00
19	Keokuk National Bank, Iowa.....	5,000.00	56.50	2,825.00
	Mrs. E. T. Wilder.....	1,000.00	54	540.00
	Mrs. Myra Reich.....	1,000.00	56.50	565.00
	B. E. Alewey.....	1,000.00	90	900.00
20	Miss Jessie E. Kibby.....	1,000.00	56.50	565.00
	Powix Trading Co.....	5,000.00	89.75	4,487.50
23	Rev. A. A. Zenck.....	1,000.00	90	900.00
22	First National Bank, Plymouth, Mich.....	1,000.00	56.50	565.00
	W. D. Williams.....	5,000.00	55	2,750.00
	J. P. Metzger.....	2,000.00	55.50	1,110.00
	J. E. Stumpf.....	2,000.00	55	1,100.00
	Dr. F. B. Knight.....	1,000.00	70	700.00
26	Mrs. Jos. Eggers.....	1,000.00	55.50	555.00
27	Plymouth State Bank, Ill.....	2,000.00	55	1,100.00
29	R. B. Whitman.....	1,000.00	55	550.00
	Hickey Doyle & Co.....	5,000.00	52.75	2,637.50
27	Mrs. Alma M. Peppes.....	1,000.00	90	900.00
31	William O. Frank.....	1,000.00	54.50	545.00

5 per cent gold notes maturing September 1, 1935—Record of sales by Halsey, Stuart & Co. from October 1, 1931, to April 20, 1932, as taken from sales tickets of Halsey, Stuart & Co.—Continued.

Date	Name of purchaser	Par value	Price sold	Amount received on principal
1931 Nov. 2	Miss Jessie E. Bibby.....	\$1,000.00	55	\$550.00
	Wm. H. Arthur.....	10,000.00	55	5,500.00
	Dr. Dwight C. Orcutt.....	1,000.00	54	540.00
	Mrs. Geo. S. Carson.....	1,000.00	55	550.00
3	Joseph T. Schwartz.....	1,000.00	55	550.00
	W. A. Austin.....	2,000.00	57	1,140.00
5	Joseph T. Schwartz.....	1,000.00	55.50	550.00
6	F. M. McIntyre.....	1,000.00	54.50	545.00
	Lewis S. McMeekin.....	1,000.00	90	900.00
	R. E. Archibold.....	1,000.00	54.50	545.00
9	H. S. Remington.....	1,000.00	90	900.00
13	Miss Margaret Brown.....	1,000.00	82	820.00
16	E. S. Selby.....	2,000.00	67	1,340.00
	M. L. Sparkman.....	1,000.00	54.50	545.00
18	Wm. F. Mulvihill.....	2,000.00	64.50	1,290.00
	Joseph Thal.....	1,000.00	66	660.00
19	Fuller Cruttenden & Co.....	2,000.00	61.25	1,225.00
	do.....	5,000.00	61.75	3,087.50
20	W. W. Armstrong.....	6,000.00	63	3,150.00
	Hickey Doyle & Co.....	13,000.00	61.50	7,995.00
21	F. J. Bunker.....	3,000.00	55	1,650.00
24	Taylor Mathers.....	1,000.00	54.50	545.00
27	Edward W. Hallett.....	1,000.00	64.50	645.00
23	Mrs. Kathaleen K. Tysen.....	1,000.00	66.50	665.00
	C. B. Hamilton.....	2,000.00	67	1,340.00
Dec. 1	Mrs. O. W. Chamberlain.....	1,000.00	66	660.00
2	Mrs. Maud M. Pollard.....	4,000.00	60	2,400.00
3	Dr. Royal French.....	1,000.00	82	820.00
	Eugene Wulfekuhler.....	1,000.00	66	660.00
8	Herman W. Falk.....	25,000.00	63	15,750.00
5	E. M. Koontz.....	1,000.00	90	900.00
7	Mrs. Cora B. Lantz.....	1,000.00	64.50	645.00
14	Mrs. Harriett S. Marsh.....	1,000.00	90	900.00
15	A. T. Meyer.....	1,000.00	65	650.00
21	A. J. Tusa.....	1,000.00	36.50	365.00
	Dr. Robert R. Hansen.....	1,000.00	37	370.00
24	Karl Legner.....	1,000.00	38	380.00
	Farmers State Bank, Clarkson, Nebr.....	2,000.00	33.75	675.00
28	A. A. Hammersmith.....	1,000.00	34	340.00
29	G. L. Huiskamp.....	2,000.00	30.50	610.00
31	Robert S. Ashe.....	2,000.00	34	680.00
1932 Jan. 6	Dr. Edwin Cobb.....	3,000.00	37	1,110.00
13	Geo. R. Jones.....	5,000.00	21.75	1,087.50
11	Frederick W. Pohl.....	1,000.00	50	500.00
13	J. W. Canavan.....	5,000.00	90	4,500.00
14	Fuller Cruttenden & Co.....	2,000.00	20.50	410.00
15	W. H. Donner.....	13,000.00	25	3,250.00
20	Eli C. Eisele.....	2,000.00	21	420.00
21	Buffett Sklenicka.....	1,000.00	22	220.00
	J. Otis Garber.....	1,000.00	90	900.00
26	Mrs. Cora M. Campbell.....	1,000.00	21	210.00
28	Mrs. A. F. Vasina.....	1,000.00	23	230.00
Feb. 1	E. F. Lacey.....	1,000.00	90	900.00
	Hickey Doyle & Co.....	2,000.00	18.75	375.00
9	Wm. T. Gale.....	4,000.00	30	1,200.00
16	Fuller Cruttenden & Co.....	2,000.00	12.50	250.00
Mar. 7	H. J. Owens.....	1,000.00	6.25	62.50
10	Howard E. Butterfuss.....	1,000.00	90	900.00
11	O. B. Adams.....	1,000.00	6	60.00
31	L. A. Lanigan.....	1,000.00	90	900.00
Apr. 11	Catherine M. Burns.....	1,000.00	90	900.00
14	Jay Silkerberg.....	1,000.00	82	820.00
15	Peoples State Bank, Lansing, Iowa.....	1,000.00	1	10.00
20	Jack Pass.....	2,000.00	90	1,800.00
	Total.....	227,000.00	-----	128,750.30

INSULL UTILITIES INVESTMENTS (INC.)

Five per cent A debenture bonds, maturing January 1, 1949, ex warrants—Record of sales by Halsey, Stuart & Co. from October 16, 1931, to April 11, 1932, as taken from sales tickets of Halsey, Stuart & Co.

Date	Name of purchaser	Par value	Price sold	Amount received on principal
1931				
Oct. 16	Chas. P. Schwartz	\$5,000.00	35	\$1,750.00
29	Marge R. Janes	1,000.00	47	470.00
Nov. 2	Hickey Doyle & Co.	1,000.00	40	400.00
12	do	4,000.00	40	1,600.00
25	Watts C. Valentine	1,000.00	40.50	405.00
20	Harry L. Meyers	1,000.00	42.50	425.00
Dec. 5	H. L. Wisner & Co.	1,000.00	37.75	377.50
	Harry K. Black	1,000.00	41	410.00
7	Ernest Libbe	1,000.00	38	380.00
	Lloyd Gehres	1,000.00	39.75	397.50
21	Alice H. Cook	1,000.00	31.50	315.00
22	Hickey Doyle & Co.	3,000.00	27	810.00
	Stein Alstrin & Co.	2,000.00	28.25	565.00
	Hickey Doyle & Co.	2,000.00	26	520.00
28	Guaranty Trust Co. of New York	9,000.00	25	2,250.00
1932				
Jan. 2	Guaranty Trust Co. of New York	1,000.00	25	250.00
	Fuller Cruttenden & Co.	1,000.00	21	210.00
7	Helen L. Butler	1,000.00	85	850.00
18	Fuller Cruttenden & Co.	1,000.00	29	290.00
29	Farnum Winter & Co.	1,000.00	24.75	247.50
Feb. 3	do	10,000.00	24.75	2,475.00
5	Citizens Savings Bank, Iowa	1,000.00	25	250.00
24	Daly & Co.	1,000.00	15.75	157.50
Mar. 15	do	5,000.00	11.80	590.00
16	J. L. Grass	1,000.00	13.25	132.50
	Daly & Co.	1,000.00	9.75	97.50
19	do	5,000.00	11.25	562.50
22	Hutchins & Packinson	1,000.00	8.25	82.50
25	Stein Alstrin & Co.	4,000.00	8.50	340.00
31	Daly & Co.	5,000.00	5.80	290.00
	do	1,000.00	8	80.00
Apr. 7	C. D. Barney & Co.	1,000.00	5	50.00
	Daly & Co.	3,000.00	5	150.00
	do	5,000.00	2.75	137.50
11	do	2,000.00	2.75	55.00
	Total Oct. 16, 1931, to Apr. 11, 1932	85,000.00	-----	18,372.50

Debenture Bonds, B, maturing January 1, 1940, with warrants—Record of sales by Halsey, Stuart & Co. from October 3, 1931, to November 30, 1931, as taken from sales tickets of Halsey, Stuart & Co.

Date	Name of purchaser	Par value	Price sold	Amount received on principal
1931				
Oct. 3	Bassett Savings Bank	\$2,000.00	62	\$1,240.00
	Mrs. Nellie C. Coleman	1,000.00	62	620.00
	Otto A. Kretschmer	6,000.00	61.25	3,675.00
	Clara J. Hungerford	1,000.00	59.25	592.50
	B. F. Hamill	2,000.00	59.75	1,195.00
	Geo. E. Dube	1,000.00	67.25	672.50
	F. C. Amsden	1,000.00	63.50	635.00
	Otto Smith	2,000.00	60.75	1,215.00
	Henry E. Hardtner	1,000.00	66	660.00
	Teutopolis State Bank	1,000.00	61	610.00
	W. H. Geagan	1,000.00	62	620.00
	First Trust & Savings Bank	1,000.00	60.25	602.50
	C. A. Straubel	1,000.00	62	620.00
	W. F. Quarin	8,000.00	60.75	4,860.00
	Continental Illinois Co.	1,000.00	62	620.00
	Frank Hollister	2,000.00	69	1,260.00
	W. E. Beach	1,000.00	60.125	601.25
	Carrie Cooper	1,000.00	59.75	597.50
	O. R. Newcombe	10,000.00	63	6,300.00
	First National Bank, Plymouth, Mich.	3,000.00	59.50	1,785.00

Debenture bonds, B, maturing January 1, 1940, with warrants—Record of sales by Halsey, Stuart & Co. from October 3, 1931, to November 30, 1931, as taken from sales tickets of Halsey, Stuart & Co.—Continued

Date	Name of purchaser	Par value	Price sold	Amount received on principal
1931 Oct. 3	E. A. Tuttle.....	\$1,000.00	61.75	\$617.50
	A. Strassburger.....	2,000.00	99.50	2,000.00
5	D. Frohman.....	5,000.00	62.25	3,112.50
	Miss Emma Glasfelter.....	1,000.00	63.25	632.50
	Gilbert Austen.....	1,000.00	62.25	622.50
	Caroline B. Courson.....	1,000.00	60.25	602.50
	Bessie Briggs.....	2,000.00	60.375	1,207.50
	Daniel P. Mitchell.....	5,000.00	63	3,150.00
	Fred A. Oldsrick.....	3,000.00	60.125	1,803.75
	Miss M. A. Van Valkenberg.....	1,000.00	61.75	617.50
	Otis J. Sawin.....	1,000.00	61.25	612.50
7	Harry E. Riser.....	1,000.00	50.75	507.50
5	Thos. A. Mullen, Exec.....	2,000.00	60.375	1,207.50
	Mr. O. D. Wiseman.....	1,000.00	62	620.00
	H. S. Bachman.....	5,000.00	49.50	2,475.00
	Mrs. L. D. Bansberger.....	6,000.00	61	3,660.00
	Jack Koenigstein.....	2,000.00	62.125	1,242.50
	Paul W. McCarthy.....	1,000.00	60.25	602.50
	E. S. Hubbard.....	1,000.00	59.125	4,138.75
	do.....	3,000.00	55.25	1,657.50
	Ed. J. Quinn.....	1,000.00	54.75	547.50
	do.....	1,000.00	58.50	585.00
	Leland County Bank.....	3,000.00	56.75	1,702.50

Debenture Bonds, "B", maturing January 1, 1940, with warrants—Record of sales by Halsey, Stuart & Co. from October 1, 1931 to November 30, 1931, as taken from sales tickets of Halsey, Stuart & Co.

Date	Name of purchaser	Par value	Price sold	Amount received on principal
1931 Oct. 1	Richard Herberick.....	\$2,000.00	69.25	\$1,265.00
	J. W. Miller.....	3,000.00	62	1,860.00
	Geo. Stanley.....	5,000.00	61.25	3,062.50
	W. O. Hofficker.....	1,000.00	69.25	692.50
	Millicent Pike.....	1,000.00	66.25	662.50
	William A. Lamb.....	2,000.00	62	1,240.00
	Wilceforce Smith.....	2,000.00	59.50	1,190.00
	William F. Zeigler.....	1,000.00	59.50	595.00
	Clarence W. Hayes.....	1,000.00	67.25	672.50
	Mrs. Maria Oldman.....	1,000.00	60.125	601.25
	Charles A. Garrison.....	2,000.00	63.50	1,270.00
	S. LeCompte.....	1,000.00	62.75	627.50
	H. C. Middleton.....	5,000.00	59.75	2,987.50
	H. A. Berwind, jr.....	20,000.00	59.75	12,006.25
	E. Dean Tanzer.....	1,000.00	60.25	602.50
	C. A. Straubel.....	2,000.00	62	1,240.00
	Miss Nancy T. Baker.....	1,000.00	60.125	601.25
	Mrs. Ada M. Nelson.....	1,000.00	60.25	602.50
	Dr. C. L. Wright.....	1,000.00	60.75	607.50
	Langley S. Foote.....	1,000.00	63	630.00
	Fred M. Shilling.....	3,000.00	62	1,860.00
	Samuel Flusher.....	5,000.00	62	3,100.00
2	Geo. A. Mason.....	10,000.00	62.25	6,225.00
	Bremerton Trust & Savings Bank.....	5,000.00	59.50	2,975.00
	J. N. Canavan.....	4,000.00	61	2,440.00
	Mrs. H. C. Sweeten.....	2,000.00	61.25	1,225.00
	Miss Mable Bishop.....	2,000.00	61.75	1,235.00
3	Den Green.....	1,000.00	60	600.00
	William F. Mulvihill.....	10,000.00	59.125	5,912.50
	A. N. Larasan.....	1,000.00	60.75	607.50
	Mrs. Myra Reich.....	1,000.00	61.50	615.00
	Dr. O. M. Vaughan.....	2,000.00	62	1,240.00
	John W. Platt.....	2,000.00	62.65	1,245.00
	Levant W. Hall.....	1,000.00	60.125	601.25
	Chas. O. Pankow.....	1,000.00	66.25	662.50
	J. R. Van Dyke.....	1,000.00	65.75	657.50
	F. H. Welsh.....	3,000.00	60.25	1,807.50
	Dr. G. A. MacDiarmid.....	5,000.00	60.25	3,012.50

Debenture bonds, "B", maturing January 1, 1940, with warrants—Record of sales by Halsey, Stuart & Co. from October 1, 1931 to November 30, 1931, as taken from sales tickets of Halsey, Stuart & Co.—Continued

Date	Name of purchaser	Par value	Price sold	Amount received on principal
1931				
Oct. 3	Mrs. C. A. Sanborn.....	\$1,000.00	65.125	\$651.25
	Harry Greenberg.....	1,000.00	60.125	601.25
	F. L. Phillips.....	1,000.00	60.25	602.50
	A. E. Simmens.....	2,000.00	60.25	1,205.00
	C. H. Toombs.....	3,000.00	62.25	1,867.50
5	J. H. Keeney.....	5,000.00	60.75	3,437.50
	W. G. Rudd.....	1,000.00	55.25	552.50
	Peter A. Jessen, jr.....	1,000.00	61.25	612.50
	Prof. Henry L. Rietz.....	1,000.00	61	610.00
	E. C. Morden.....	1,000.00	59.125	591.25
	Otto Moyer.....	1,000.00	55.25	552.50
	B. O. Sippy.....	1,000.00	59.75	597.50
	G. A. Lenington.....	1,000.00	65.125	1,302.50
	H. M. Carruthers.....	7,000.00	62.75	4,392.50
	Wathey Daugherty C. T. fund.....	2,000.00	62.75	1,255.00
	Grove City National Bank.....	1,000.00	62.75	627.50
	A. A. Reeves and associates.....	4,000.00	62.75	2,510.00
	Ed. J. Quinn.....	1,000.00	51.25	512.50
6	Reck Meran.....	1,000.00	61.25	612.50
	John F. Ellert.....	1,000.00	62.625	626.25
	Mrs. M. Alice Waite.....	1,000.00	60.25	602.50
	Miss Idella S. Gibson.....	1,000.00	62.75	627.50
	Mrs. S. B. Houck.....	2,000.00	66.25	1,325.00
	Foster Lewis.....	1,000.00	62.25	622.50
	Poland M. Homer.....	1,000.00	62.75	627.50
	E. T. George.....	2,000.00	60.25	1,205.00
	do.....	1,000.00	60	600.00
	M. D. Cohn.....	1,000.00	48	480.00
	E. R. Stellway.....	1,000.00	58.75	587.50
	B. C. Gardner.....	1,000.00	99.50	995.00
	Mrs. A. R. Beard.....	1,000.00	48.25	482.50
	do.....	1,000.00	48.25	482.50
	Maurice Spain.....	3,000.00	49	1,470.00
	United State Bank.....	2,000.00	62.50	1,250.00
	O. H. D. Rohwer.....	1,000.00	49.50	495.00
	E. W. Moss.....	1,000.00	49.25	492.50
	Iowa Fidelity Investment Co.....	1,000.00	59.625	596.25
	E. V. Hall.....	1,000.00	61.25	612.50
	Fuller Cruttenden & Co.....	7,000.00	48.425	3,368.75
	Babeck Rushton & Co.....	5,000.00	49	2,450.00
	do.....	5,000.00	49	2,450.00
	Fuller Cruttenden & Co.....	1,000.00	48.50	482.50
	Harry E. Burke.....	2,000.00	52.25	1,045.00
	Jes. Thal.....	1,000.00	62.25	622.50
	A. W. Boylsten.....	3,000.00	39.25	1,177.50
	W. G. Rudd.....	1,000.00	40.50	405.00
	Wm. A. Pohl.....	10,000.00	49.50	4,950.00
	Mrs. S. J. Pierce.....	5,000.00	59.75	2,987.50
	Jesse L. Morrow.....	1,000.00	69	690.00
	Listed Securities Corporation.....	1,000.00	56.75	567.50
	Miss Jessie Bruse.....	1,000.00	58.75	587.50
	W. H. Kubecki.....	1,000.00	47.50	475.00
7	Miss Tillie Krenk.....	1,000.00	39.25	392.50
	do.....	1,000.00	42.75	427.50
	W. S. Palmer.....	2,000.00	62.25	1,245.00
	J. H. Peterson.....	1,000.00	69.75	597.50
	J. L. Greiner.....	1,000.00	62.75	627.50
	C. G. Coppel.....	1,000.00	55.25	552.50
	William A. Clark.....	1,000.00	50.25	502.50
	Heylton State Bank.....	2,000.00	62.75	1,255.00
	J. E. Harsh.....	3,000.00	60.75	1,822.50
	R. C. Ford.....	1,000.00	66.25	662.50
	Joy J. Sewer.....	3,000.00	48.50	1,455.00
8	Bessie M. Fuller.....	1,000.00	40.75	407.50
	Dr. John S. Kellogg.....	2,000.00	47.50	950.00
	Benjamin Kaye.....	1,000.00	40.25	402.50
	Winthrop Mitchell & Co.....	3,000.00	47.75	1,432.50
	Fred S. Sadler & Co.....	2,000.00	44.50	890.00
	E. A. Seeligen.....	1,000.00	40.75	407.50
	Lewis McDonald.....	2,000.00	39.50	790.00
	Samuel H. Thoe.....	1,000.00	59	590.00
	A. C. Reneheimer.....	1,000.00	48.25	482.50
	H. L. D. Webely.....	1,000.00	48.75	487.50
	John G. Weber.....	1,000.00	48.75	487.50
	H. D. Duttine.....	2,000.00	40.75	815.00
	Ray Hurd.....	1,000.00	40.25	402.50
	J. J. Book.....	1,000.00	49	490.00

Debenture bonds, "B", maturing January 1, 1940, with warrants—Record of sales by Halsey, Stuart & Co. from October 1, 1931, to November 30, 1931, as taken from sales tickets of Halsey, Stuart & Co.—Continued

Date	Name of purchaser	Par value	Price sold	Amount received on principal
1931 Oct. 8	Winthrop Mitchell & Co.	\$3,000.00	47.95	\$1,432.50
	Listed Securities Corporation	9,000.00	47.75	4,297.90
	John A. Wagner	1,000.00	48.25	482.50
	James M. Hedenberg	3,000.00	60.50	1,815.00
	Geo. F. Pott	1,000.00	61.75	617.50
	Miss Lillian Clement	1,000.00	48.75	487.50
	Farnum Winter & Co.	1,000.00	43.50	435.00
	Thomas G. Thompson	3,000.00	47.75	1,432.50
	A. D. Spencer	1,000.00	60.25	602.50
	Henry Gutleber	1,000.00	60.25	602.50
	Thomas Fisher	10,000.00	60.25	6,025.00
	John Veale	1,000.00	59.75	597.50
	Jos. W. Webster	1,000.00	61.50	615.00
	Charles J. Merritt	1,000.00	61.50	615.00
	Nathan R. Rice	1,000.00	59.125	591.25
	Michael D. Bingham	1,000.00	59.125	591.25
	James E. Bogley	1,000.00	61.50	615.00
	James Kinsensburgh	1,000.00	56.75	567.50
	Charles L. Tucker	1,000.00	56.75	567.50
	Miss Alice Hutchins	1,000.00	59.75	597.50
	Mrs. Rose R. Friend	1,000.00	61.00	610.00
	Lewis R. Friend	1,000.00	61.00	610.00
	Gem Hammock	8,000.00	83.00	4,150.00
	First National Bank	1,000.00	58.75	587.50
	Dr. E. A. Sosby	1,000.00	61.25	612.50
9	Miss Alice L. Brunson	7,000.00	57.75	4,042.50
	R. E. Archibald	1,000.00	39.50	395.00
	W. P. Meyers	1,000.00	48.75	487.50
	Ottumwa Ice Co.	1,000.00	48.75	487.50
	A. G. Peters	1,000.00	55.25	552.50
	Fred F. Johnston	1,000.00	55.25	552.50
	Mrs. Emma Johnston	1,000.00	55.25	552.50
	Anna Harris	1,000.00	55.25	552.50
	G. A. Benny	1,000.00	59.875	598.75
	Allen K. Shenk	2,000.00	49.50	990.00
	Geo. Stanley	5,000.00	62.625	3,131.25
	Dr. E. Paschall	1,000.00	60.75	607.50
	F. J. Brehan	2,000.00	61.00	1,220.00
	First National Bank	3,000.00	49.25	1,477.50
	Dr. David Andelson	1,000.00	41.25	412.50
	Wm. S. Stringham	2,000.00	40.75	815.00
	Ignor Pilot	5,000.00	55.75	2,787.50
	W. H. Hoyt	1,000.00	55.25	552.50
	John C. Kirby	5,000.00	47.25	2,362.50
	E. W. Gutenknost	2,000.00	49.25	985.00
	Roy E. Hammond	1,000.00	44.25	442.50
	W. F. Brown	1,000.00	47.25	472.50
10	Harry E. Riser	1,000.00	50.75	507.50
	J. H. Middemist	1,000.00	40.50	405.00
	A. W. Urquhart	5,000.00	56.00	3,300.00
	R. F. Brick	2,000.00	59.75	1,195.00
	Rowland H. Starr	5,000.00	40.25	2,012.50
	C. H. Isbell	2,000.00	62.75	1,255.00
	David Grosjean	1,000.00	61.50	615.00
	Epiphony Apostolic College	6,000.00	59.125	3,547.50
	Chas. Clanberg	1,000.00	49.50	495.00
	Russell L. Tarbox	6,000.00	50.25	3,015.00
	E. C. Haus	3,000.00	59.875	1,796.25
	Kenton Savings Bank & Trust Co.	10,000.00	60.00	6,000.00
	W. S. Leach	3,000.00	55.25	1,657.50
	Fred D. Sadler & Co.	5,000.00	48.25	2,412.50
13	W. H. Nymeyer	1,000.00	44.25	442.50
	Elizabeth O'Malia	1,000.00	64.25	642.50
	Victor Enos	1,000.00	59.00	590.00
	Mary C. Butler	1,000.00	55.375	553.75
	Glen E. Hovenden	1,000.00	46.25	462.50
	William Garland	1,000.00	58.25	582.50
	S. R. Fiedman	1,000.00	55.75	557.50
	Fuller Cruttenden & Co.	4,000.00	55.25	2,210.00
	E. L. Penniston	1,000.00	62.00	620.00
	James G. Shakman	2,000.00	45.25	905.00
	Ernest H. Rederker	1,000.00	55.25	552.50
	Mary G. Warly	1,000.00	55.375	553.75
	R. T. Elliott	1,000.00	49.50	495.00
	Thomson & McKinnon	1,000.00	56.00	560.00
	Farnum Winter & Co.	5,000.00	56.25	2,812.50
	do.	3,000.00	55.25	1,657.50

Debenture bonds, "B", maturing January 1, 1940, with warrants—Record of sales by Halsey, Stuart & Co. from October 1, 1931, to November 30, 1931, as taken from sales tickets of Halsey, Stuart & Co.—Continued

Date	Name of purchaser	Par value	Price sold	Amount received on principal
1931				
Oct. 13	Mitchell Hutchins & Co.....	\$2,000.00	55.50	\$1,110.00
	Edward W. Juhl.....	1,000.00	41.25	412.50
	Ed. J. Quinn.....	1,000.00	43.25	432.50
	Miss Elizabeth Sweet.....	1,000.00	48.25	482.50
	Mrs. Mal Roberts.....	1,000.00	55.25	552.50
	L. W. Stevenson.....	4,000.00	38.75	1,550.00
	Estate of Edward Cope.....	1,000.00	59.75	597.50
	Daniel J. Doneker.....	1,000.00	62.00	620.00
	William A. Randall.....	1,000.00	49.00	490.00
	H. A. Berwind, jr.....	5,000.00	49.25	2,462.50
	Phillip Shane.....	1,000.00	49.00	490.00
	D. L. Grinnell.....	2,000.00	47.75	955.00
	Margaret Armstrong.....	5,000.00	45.50	2,275.00
	Lucy M. Wands.....	1,000.00	60.00	600.00
	Noah M. Dixon.....	1,000.00	48.75	487.50
	T. J. Mathews.....	1,000.00	46.25	467.50
	L. H. Martin.....	17,000.00	49.25	8,370.50
	First National Bank.....	4,000.00	44.25	1,770.00
	Fred A. Kunkel.....	1,000.00	49.50	495.00
	Mose Zimmerman.....	6,000.00	40.50	2,430.00
	Matilda Nelson.....	1,000.00	62.00	620.00
14	Mrs. W. Kenneth Eaton.....	2,000.00	82.25	1,645.00
	Myra Reich.....	1,000.00	55.25	552.50
	H. L. Childs & Co.....	5,000.00	38.75	1,937.50
	Wilber National Bank.....	2,000.00	60.25	1,205.00
	Dr. William Cooke.....	2,000.00	62.00	1,240.00
	John G. Connell.....	2,000.00	60.25	1,205.00
	Thomas Wilson.....	2,000.00	63.00	1,260.00
	O. W. Walchli.....	5,000.00	63.25	3,162.50
	Charlotte P. Many.....	1,000.00	45.25	452.50
	William O. Frank.....	1,000.00	41.25	412.50
	Boris Rosenbaum.....	1,000.00	46.25	462.50
	Rowland H. Starr.....	2,000.00	55.25	1,105.00
	F. B. Kelly.....	4,000.00	48.50	1,940.00
	First Trust & Savings Bank.....	3,000.00	47.75	1,432.50
	Bank of Washington.....	3,000.00	60.75	1,822.50
	Emma Roessler.....	1,000.00	62.75	627.50
	H. C. Bonton.....	1,000.00	48.75	487.50
	Walter B. Spelman.....	1,000.00	49.25	492.50
	State Bank of Mundelein, Ill.....	6,000.00	78.00	4,680.00
	C. V. Potter.....	1,000.00	55.75	557.50
	Arthur P. Laughlin.....	1,000.00	60.75	607.50
15	Samuel Thal.....	1,000.00	44.25	442.50
	W. S. Leach.....	2,000.00	65.25	1,305.00
	Walter A. Bechthold.....	2,000.00	49.25	985.00
	.....do.....	4,000.00	45.25	1,810.00
	E. P. Cockrell.....	1,000.00	40.25	402.50
	E. F. Younger.....	1,000.00	65.00	650.00
	Dr. Ellis Kockery.....	1,000.00	64.25	642.50
	Jessie E. Blodgett.....	1,000.00	55.375	553.75
	Geo. E. Boynton.....	1,000.00	47.50	475.00
	Globe Spec. Co.....	2,000.00	64.625	1,292.50
16	F. J. Kotlar.....	1,000.00	48.25	482.50
	Dr. M. H. Scheele.....	2,000.00	64.75	1,295.00
	Miss A. C. Wolf.....	1,000.00	44.25	442.50
	Miss Louise C. Perry.....	1,000.00	61.75	617.50
	Mrs. Lena K. Randolph.....	2,000.00	64.25	1,285.00
	W. D. Hanson.....	1,000.00	38.75	387.50
	L. H. Roller.....	1,000.00	59.25	591.25
	A. F. Houghton.....	4,000.00	49.25	1,970.00
	Geo. Wiggan.....	2,000.00	49.25	985.00
	Stuart Cooper.....	5,000.00	49.50	2,475.00
	Mount Holly Cemetery Co.....	1,000.00	40.25	402.50
	Dr. Louis F. Jeiman.....	1,000.00	40.00	400.00
17	Mr. Volney Ross.....	1,000.00	65.00	650.00
	John Vanderveen.....	1,000.00	55.375	2,215.00
	W. P. McCaffrey & Co.....	1,000.00	64.50	645.00
	Peoples Bank & Trust Co.....	5,000.00	55.375	2,768.75
	John A. Manion.....	1,000.00	55.25	552.50
	Mrs. Frank Paul.....	2,000.00	55	1,100.00
19	Protected Home Association.....	10,000.00	65.125	6,512.50
	.....do.....	5,000.00	65	3,250.00
	Miss F. E. Flagler.....	1,000.00	59	590.00
	Mr. F. Kuehne, jr.....	5,000.00	49	2,450.00
	Nerret National Bank.....	5,000.00	60.75	3,037.50
	Ohio General Fire Insurance Co.....	2,000.00	62.75	1,255.00
	Morrison & Townsend.....	1,000.00	56	560.00

Debenture bonds, "B", maturing January 1, 1940, with warrants—Record of sales by Halsey, Stuart & Co. from October 1, 1931, to November 30, 1931, as taken from sales tickets of Halsey, Stuart & Co.—Continued

Date	Name of purchaser	Par value	Price sold	Amount received on principal
1931 Oct. 19	A. Pardini.....	\$1,000.00	59.25	\$592.60
	Mrs. E. T. Wilder.....	1,000.00	62.75	627.50
	Miss Margaret E. McClellan.....	1,000.00	65.25	652.50
	Miss G. M. Merchant.....	2,000.00	45.25	905.00
	Frank Burnnell.....	8,000.00	64.75	5,180.00
	H. A. Goble.....	1,000.00	56.75	567.50
	Geo. F. Booker.....	1,000.00	40.25	402.50
	John S. Baughman.....	1,000.00	56.75	567.50
	G. W. Chapman.....	1,000.00	64.25	642.50
	Mrs. Harry Gunberg.....	2,000.00	55.25	1,105.00
	A. H. Miller.....	2,000.00	66.25	1,325.00
	Mark Alexander.....	1,000.00	47.85	477.50
	C. H. Bashford.....	4,000.00	58.25	2,330.00
	Libertyville Trust & Savings Bank.....	2,000.00	69.25	1,385.00
20	M. S. Carter.....	1,000.00	56.75	567.50
	Harris Upham & Co.....	1,000.00	58.75	587.50
	Rev. William W. Lane.....	1,000.00	55.75	557.50
	A. Burton Nelson.....	2,000.00	64.25	1,285.00
	Frank R. Muenzen.....	5,000.00	65	3,250.00
	Mrs. Edith M. Thom.....	4,000.00	61.75	2,470.00
	D. C. Guest.....	1,000.00	65	650.00
	Frank P. Geiner.....	1,000.00	57.75	577.50
	Mrs. M. L. Boll.....	2,000.00	61.75	1,235.00
	E. H. Branding.....	1,000.00	74.60	745.00
	R. C. Burkholder.....	1,000.00	60.125	601.25
	Ban Cromer.....	1,000.00	67.25	672.60
21	F. P. Garcken.....	3,000.00	61.25	1,837.50
24	Judge Harry B. Davis.....	2,000.00	58.75	1,175.00
	Louis L. Briden.....	1,000.00	58.75	587.50
	Mrs. Minnie B. Garceau.....	1,000.00	58.75	587.50
	E. A. Pierce & Co.....	5,000.00	59	2,950.00
	Ernest Kloppenbach.....	1,000.00	59.75	597.50
	Fuller Cruttenden & Co.....	5,000.00	59.75	2,987.50
	do.....	2,000.00	59	1,190.00
	Geo. Cory.....	2,000.00	41.50	830.00
	August H. Petersen.....	1,000.00	55.25	552.50
	Mr. J. A. Barnell.....	1,000.00	62.25	622.50
	Wilber National Bank.....	1,000.00	64.25	642.60
	do.....	3,000.00	64.125	1,923.75
	Clement A. Alderfer.....	1,000.00	60.25	602.50
	Bank of Murray.....	5,000.00	49.75	2,487.50
	Charles F. Fetts.....	1,000.00	60	600.00
	Geo. G. Whitney.....	2,000.00	59.75	1,196.00
	Elizabeth O'Maleo.....	1,000.00	58.75	587.50
21	John Doolan.....	1,000.00	58.75	587.50
	George P. Gleisner.....	1,000.00	65.25	652.50
26	Joseph A. Clinger.....	1,000.00	62.75	627.50
	Joseph Eggers.....	1,000.00	60.50	605.00
	H. J. Brock.....	1,000.00	44.25	442.50
	Carrie Knopp.....	1,000.00	63.75	637.60
	F. W. Brook.....	1,000.00	58.75	587.50
	Miss Ida Werdell.....	1,000.00	58.75	587.60
	H. S. Remington.....	2,000.00	59.25	1,185.00
	Walter E. Wheeler.....	3,000.00	60.25	1,807.50
22	Joliet National Bank.....	1,000.00	60	600.00
	Warren C. Groves.....	5,000.00	65	3,250.00
	J. P. Matzger.....	2,000.00	60	1,200.00
	W. D. Williams.....	5,000.00	59.75	2,987.50
	Joliet National Bank.....	5,000.00	59.25	2,962.50
	do.....	6,000.00	59.50	3,570.00
	Louis W. Alexander.....	1,000.00	65.25	652.50
	John Blood.....	10,000.00	63.25	6,325.00
	A. A. Weaver.....	1,000.00	65	650.00
	M. C. Byssey.....	1,000.00	57.25	572.50
	R. S. Eastwood.....	2,000.00	63.75	1,275.00
	Steuben Trust Co.....	1,000.00	59.75	597.50
	Miss V. S. Runyan.....	1,000.00	59.75	597.50
	Harry A. Le Doyt.....	2,000.00	59.50	1,190.00
	William J. Nash.....	1,000.00	60	600.00
	R. B. Whitman.....	1,000.00	60.25	602.50
	First National Bank.....	5,000.00	60.25	3,012.50
27	Fuller Cruttenden & Co.....	5,000.00	60.25	3,012.50
	do.....	2,000.00	59.75	1,195.00
	St. Joseph Loan & Trust Co.....	1,000.00	58.25	582.50
	F. W. Brooks.....	1,000.00	59.75	597.50
28	First National Bank.....	9,000.00	59.50	5,355.00
	Fuller Cruttenden & Co.....	2,000.00	57.25	1,145.00

Debenture bonds, "B", maturing January 1, 1940, with warrants—Record of sales by Halsey, Stuart & Co. from October 1, 1931 to November 30, 1931, as taken from sales tickets of Halsey, Stuart & Co.—Continued

Date	Name of purchaser	Par value	Price sold	Amount received on principal
1931				
Oct. 28	Thomson & McKinnon.....	\$1,000.00	58	\$580.00
	Fuller Cruttenden & Co.....	3,000.00	59.25	1,777.50
	Paul H. Davis & Co.....	1,000.00	59.25	592.50
	Joseph E. Bennett & Co.....	2,000.00	57.50	1,150.00
	First National Bank.....	7,000.00	59.75	4,182.50
	Fuller Cruttenden & Co.....	2,000.00	57.25	1,145.00
	do.....	2,000.00	57.50	1,150.00
	Paine Weber & Co.....	1,000.00	57.50	575.00
	Wintrop Mitchell & Co.....	3,000.00	57	1,710.00
	Webster Marsh & Co.....	1,000.00	58	580.00
	Julius Liebenow.....	1,000.00	59.25	592.50
29	Mrs. C. B. Lombard.....	1,000.00	61.75	617.50
	Russell Brewster & Co.....	1,000.00	57	570.00
	Rogers & Tracy.....	1,000.00	58.75	587.50
	Fuller Cruttenden & Co.....	5,000.00	57.375	2,868.75
	Thomson & McKinnon.....	1,000.00	57.375	573.75
	W. G. Marsh.....	2,000.00	59.25	1,185.00
	W. E. Gillespie.....	1,000.00	59.50	595.00
	C. D. Barney & Co.....	1,000.00	58	580.00
	Bruce W. Bean.....	1,000.00	59.25	592.50
	Varney Putnam.....	2,000.00	60	1,200.00
	do.....	1,000.00	60	600.00
	Estate of Howard P. Cornell.....	5,000.00	59.50	2,975.00
	Miss Emma Shepard.....	1,000.00	40.25	402.50
	Rowland G. Redman.....	1,000.00	40.25	402.50
	F. J. Butter.....	1,000.00	40.50	405.00
	Dr. J. B. Gordon.....	2,000.00	55.375	1,107.50
	Dr. G. R. Hickey.....	5,000.00	40.75	2,037.50
	do.....	1,000.00	44.25	442.50
Nov. 3	Mrs. Meta D. Burgmeyer.....	5,000.00	66	3,300.00
	H. S. Remington.....	2,000.00	55.25	1,105.00
	Fuller Cruttenden & Co.....	5,000.00	53	2,650.00
	W. F. Brown.....	2,000.00	54.875	1,097.50
	E. J. Hubbard.....	1,000.00	54.25	542.50
	Dr. L. M. Carr.....	1,000.00	56.25	562.50
	First National Bank.....	2,000.00	55.25	1,105.00
	Fuller Cruttenden & Co.....	3,000.00	55	1,650.00
	J. S. Grove.....	1,000.00	55.25	552.50
	I. Glazer.....	1,000.00	60.75	607.50
	F. G. Zerber.....	5,000.00	52.50	2,625.00
	Charles Gamble.....	3,000.00	52.50	1,575.00
	John A. Wagner.....	1,000.00	54.875	548.75
	Miss Florence Magee.....	1,000.00	62.125	621.25
	Bank of Bellwood, Ill.....	2,000.00	50.25	1,205.00
	Mrs. Nellie F. Nelson.....	1,000.00	58.25	582.50
	Miss Lanson Fewerty.....	1,000.00	50.25	502.50
	Ed. A. Quinn.....	1,000.00	50.25	502.50
	Charles Crelle.....	2,000.00	55	1,100.00
	C. A. Bullpit.....	2,000.00	55.75	1,115.00
	John B. Movin.....	3,000.00	50.25	1,507.50
	Scott Burrows and Christie.....	1,000.00	50.50	505.00
	E. T. Allen.....	1,000.00	52.625	526.25
	E. P. Wenner.....	1,000.00	59.75	597.50
	Mrs. Edith Alice Baker.....	1,000.00	60.75	607.50
	Mr. H. W. Bradbury.....	1,000.00	63	630.00
	H. B. Lyman.....	1,000.00	58.75	587.50
	Howard R. Ford.....	2,000.00	64.25	1,285.00
	Miss F. M. Edmeister.....	1,000.00	60.25	602.50
	Iowa Bond Corporation.....	5,000.00	56.25	2,812.50
	Mrs. Emma M. West.....	1,000.00	55.25	552.50
	A. Goldberg.....	3,000.00	60.25	1,807.50
	A. M. Frankenfield.....	1,000.00	58.75	587.50
	G. H. Gusson.....	1,000.00	60.25	602.50
	James S. Toffel.....	1,000.00	59.25	592.50
	Geo. F. Hornbeyer.....	1,000.00	50.25	502.50
	Mrs. R. C. Kersten.....	1,000.00	56.25	562.50
	Mudge Lee Corporation.....	1,000.00	58	580.00
	Richland State Bank.....	5,000.00	57.75	2,887.50
	J. P. Young.....	1,000.00	59.50	595.00
	First National Bank.....	1,000.00	64.125	1,285.00
	Miss Victoria Speckert.....	1,000.00	55.25	552.50
5	Louis D. Ernst, Jr.....	1,000.00	60.25	602.50
	W. E. Stengson.....	1,000.00	60	600.00
	W. G. Conrad.....	1,000.00	53	530.00
	E. D. Putnam.....	2,000.00	51.125	1,022.50
	Anderson Securities Co.....	3,000.00	55	1,650.00
	do.....	1,000.00	55	550.00

Debenture bonds, "B", maturing January 1, 1940, with warrants—Record of sales by Halsey, Stuart & Co. from October 1, 1931, to November 30, 1931, as taken from sales tickets of Halsey, Stuart & Co.—Continued

Date	Name of purchaser	Par value	Price sold	Amount received on principal
1931				
Nov. 5	Charles Schenkel.....	\$1,000.00	55.25	\$552.50
	Geo. Shoolcroft.....	1,000.00	50	500.00
	Samuel Insull 3d.....	1,000.00	54.75	547.50
	Chas. H. Kay.....	1,000.00	55.25	552.50
	Fauny G. Waite.....	1,000.00	54.25	542.50
	James S. Muse.....	2,000.00	50.75	1,015.00
	James Kruesenhansel.....	1,000.00	53	530.00
6	Miss Rose Chesney.....	2,000.00	54.25	1,085.00
	Eugene D. Hoodley.....	1,000.00	55.25	552.50
	E. C. Morden.....	1,000.00	55.125	551.25
	R. E. Archbold.....	1,000.00	54.75	547.50
	Anderson Securities Co.....	1,000.00	55.75	557.50
	C. W. Smith.....	1,000.00	52.25	522.50
	Hutchins & Parkenson.....	1,000.00	54.625	546.25
7	Frank Carter.....	2,000.00	53.25	1,065.00
	Daly & Co.....	4,000.00	55	2,200.00
	Mrs. Mary D. Boykin.....	2,000.00	55.875	1,117.50
	C. C. Kennord.....	3,000.00	56	1,680.00
	A. K. McCowan.....	3,000.00	55.125	1,653.75
	E. S. Hebbard.....	2,000.00	52.25	1,045.00
	L. S. Burley.....	5,000.00	66.25	3,312.50
	Miss Bulah Perry.....	1,000.00	56	560.00
	E. G. MacLeod.....	1,000.00	60	600.00
	Arthur C. McGill.....	1,000.00	55.375	553.75
	Fuller Cruttenden & Co.....	4,000.00	55	2,200.00
	Miss Alice Brunson.....	1,000.00	54.25	542.50
	E. P. Hebbard.....	8,000.00	52.25	4,180.00
10	Winthrop Mitchell & Co.....	3,000.00	56.375	1,691.25
	do.....	2,000.00	56.50	1,130.00
	E. V. Hall.....	1,000.00	54.25	542.50
	E. S. Selby.....	2,000.00	55.75	1,115.00
	Winthrop Mitchell & Co.....	3,000.00	56.375	1,691.25
	Geo. Krutzkowsky.....	1,000.00	56	560.00
	E. C. Hartley.....	1,000.00	54.50	545.00
	W. T. McNoonan.....	1,000.00	50.25	502.50
	Arthur M. Eastburn.....	1,000.00	60.50	605.00
	Thomas Mills.....	2,000.00	55.625	1,112.50
	Anderson Securities Co.....	6,000.00	55.50	3,330.00
	do.....	5,000.00	56	2,800.00
5	do.....	5,000.00	56.00	2,800.00
	do.....	1,000.00	55.75	557.50
	do.....	2,000.00	55.75	1,115.00
	do.....	1,000.00	55.75	557.50
13	Frank W. Sledd.....	4,000.00	56	2,240.00
	Mount Gilwood National Bank.....	3,000.00	55.75	1,672.50
	Charles Clanberg.....	2,000.00	55	1,100.00
	First National Bank in Trenton.....	1,000.00	55.25	552.50
	Dr. Armond J. Quick.....	1,000.00	55	550.00
	Francis P. Fonfield.....	1,000.00	55.25	552.50
	Mrs. John L. Redstroker.....	1,000.00	50.75	507.50
	M. E. Wetten.....	1,000.00	50.25	502.50
	Mrs. Harold D. Stoll.....	1,000.00	55.75	557.50
	Howell E. Bollinger.....	1,000.00	50.25	502.50
	Dr. Harold Marsh.....	5,000.00	58	2,900.00
	E. S. Elder.....	1,000.00	54.75	547.50
	Geo. Wiggan.....	2,000.00	60.125	1,202.50
	John J. Byrd.....	2,000.00	56	1,120.00
	Mrs. Ruth S. Wellington.....	1,000.00	55.625	556.25
	Thomas C. Riley.....	1,000.00	55.625	556.25
	H. A. Burgstahler.....	1,000.00	60.25	602.50
	E. J. Hubbard.....	1,000.00	58.75	587.50
	E. S. Selby.....	3,000.00	60.625	1,818.75
	Dr. G. W. Peitol.....	1,000.00	54.50	545.00
	J. F. Sefrott.....	1,000.00	58.75	587.50
	Chas. H. Schrom.....	1,000.00	55.75	557.50
	Geo. L. Van Bergen.....	1,000.00	52.50	525.00
17	Winthrop Mitchell & Co.....	3,000.00	57.50	1,725.00
	Farnum Winter & Co.....	5,000.00	57.625	2,881.25
	Fuller Cruttenden & Co.....	10,000.00	55.75	5,575.00
	Mrs. Rose W. Morris.....	1,000.00	56	560.00
	L. D. Warcham.....	1,000.00	59.50	595.00
	Fort Jennings State Bank.....	2,000.00	54.50	1,090.00
	Winthrop Mitchell & Co.....	3,000.00	57.375	1,721.25
	Otto F. Randenbock.....	1,000.00	60.25	602.50
	W. S. Leeds.....	10,000.00	59	5,900.00
	H. W. Brastelien.....	1,000.00	55.75	557.50

Debenture bonds, "B", maturing January 1, 1940, with warrants—Record of sales by Halsey, Stuart & Co. from October 1, 1931, to November 30, 1931, as taken from sales tickets of Halsey, Stuart & Co.—Continued

Date	Name of purchaser	Par value	Price sold	Amount received on principal
1931				
Nov. 17	Geo. E. Fettermon, trustee.....	\$4,000.00	55.25	\$2,210.00
	William Bond.....	4,000.00	55.375	2,215.00
	W. G. Hollands.....	1,000.00	60.25	602.50
	Mrs. Alice Goepf.....	1,000.00	56	560.00
	Carlton Garwood.....	5,000.00	56.125	2,806.25
	Main Beltng Co.....	2,000.00	59.75	1,195.00
	A. H. Blank.....	5,000.00	58	2,915.00
18	Ward T. Huston.....	5,000.00	56.25	2,812.50
	S. Herk.....	1,000.00	56.125	561.25
	Charles Crelle.....	1,000.00	55.50	555.00
	J. C. Robinson.....	1,000.00	56.125	561.25
19	Geo. W. Blow.....	5,000.00	80.75	4,037.50
	C. Hughes.....	1,000.00	60.25	602.50
	Wilber National Bank.....	2,000.00	60	1,200.00
	Antonio Roig.....	1,000.00	82	820.00
	Miss Lillian Rice.....	2,000.00	60.25	1,205.00
	E. Smith.....	4,000.00	55.25	2,210.00
	Paul Gilliland.....	2,000.00	55.625	1,112.50
	Arthur W. Skiford.....	1,000.00	56.125	561.25
	Fred A. Abbott.....	1,000.00	59.50	595.00
	Mrs. Martha K. Lahiff.....	1,000.00	59.50	595.00
	Charles F. Goller.....	2,000.00	60.00	1,200.00
	Mrs. A. J. Witt.....	1,000.00	59.125	591.25
	C. E. Faucut.....	1,000.00	56.25	562.50
	George S. Carson.....	1,000.00	54.25	542.50
	John M. Welch.....	1,000.00	56	560.00
	Eastman Dillon & Co.....	1,000.00	56	560.00
	C. W. Moody.....	1,000.00	60.25	602.50
	G. E. Burnan.....	2,000.00	59.50	1,190.00
	Fuller-Cruttenden & Co.....	3,000.00	54.25	1,627.50
	do.....	5,000.00	55.375	2,768.75
	Oscar Atherton.....	1,000.00	56.50	565.00
	W. G. Fisher.....	2,000.00	55.25	1,105.00
20	David Conger.....	2,000.00	60.25	1,205.00
	Steuban Trust.....	5,000.00	59.25	2,962.50
21	Chas. F. Goller.....	1,000.00	58.75	587.50
24	Helen F. Brennan.....	2,000.00	56	1,120.00
	A. Goldberger.....	1,000.00	59.25	592.50
	E. L. Fraser.....	1,000.00	56.25	562.50
	Albert Taylor, trustee.....	1,000.00	56.25	562.50
	C. G. Hamilton.....	2,000.00	55.25	1,105.00
	W. W. Sketshely.....	2,000.00	53.75	1,075.00
	Mrs. Fred Gill.....	2,000.00	53.75	1,075.00
	Brownell Buchler.....	1,000.00	56.25	562.50
	Howard W. Halbert.....	1,000.00	55.625	556.25
	Walter Fosbroad.....	1,000.00	54.25	542.50
	A. A. Wereback.....	1,000.00	56.25	562.50
	Carolyn M. Boril.....	1,000.00	56.25	562.50
	Harry C. Gleason.....	1,000.00	56	560.00
	R. E. Winslow.....	1,000.00	56.25	562.50
	W. P. Warren.....	1,000.00	58.875	588.75
	E. A. Sorby.....	1,000.00	55.625	556.25
	K. B. Mathews.....	2,000.00	56.25	1,125.00
	Nelson Gignor.....	1,000.00	53	530.00
	Ethel B. Howden.....	5,000.00	56.25	2,812.50
	Farmers State Bank.....	2,000.00	59.25	1,185.00
	Mrs. Martha D. Dobl.....	2,000.00	56.25	1,125.00
	Scotts Burrows & Christie.....	1,000.00	52.50	525.00
23	W. G. Fisher.....	2,000.00	55.50	1,110.00
	O. T. Cernanka.....	2,000.00	55.50	1,110.00
16	Hubert E. Rich.....	1,000.00	59.50	595.00
23	G. A. Miller.....	1,000.00	53.75	537.50
	M. L. Spankman.....	2,000.00	54.25	1,005.00
	Fuller Cruttenden & Co.....	2,000.00	52.875	1,057.50
	H. L. Welsh.....	10,000.00	60.25	6,025.00
	Faraum Winter & Co.....	5,000.00	53	2,650.00
	Mrs. Lillian M. Lord.....	1,000.00	56.25	562.50
	B. M. Harnes.....	1,000.00	57.50	575.00
	Otto Plesser.....	1,000.00	56.125	561.25
	Edw. S. Clifford.....	3,000.00	59.25	1,777.50
	James R. and I. Tanner.....	2,000.00	59.25	1,105.00
	O. B. Ellis & Co.....	10,000.00	54.25	5,425.00
	Joe Bower.....	1,000.00	56	560.00
	First Trust Savings Bank.....	1,000.00	55.25	552.50
	J. G. Stuart.....	1,000.00	55.50	555.00
	Fuller Cruttenden & Co.....	2,000.00	52.50	1,050.00

Debenture bonds, "B", maturing January 1, 1940, with warrants—Record of sales by Halscy, Stuart & Co. from October 1, 1931, to November 30, 1931, as taken from sales tickets of Halscy, Stuart & Co.—Continued

Date	Name of purchaser	Par value	Price sold	Amount received on principal
1931 Nov. 23	M. V. Alexander.....	\$1,000.00	58.75	\$587.50
	First National Bank.....	5,000.00	54	2,700.00
	Worth County State Bank.....	1,000.00	58.50	585.00
	State Bank Waterloo.....	1,000.00	56	560.00
	Benjamin Koye.....	1,000.00	52.25	522.50
	Kathleen K. Tysen.....	1,000.00	58.875	588.75
	John Cochran.....	1,000.00	60.25	602.50
	Martin Neimig.....	1,000.00	56	560.00
	Iowa Fidelity Investment Co.....	1,000.00	53.875	538.75
	Tillie F. Echman.....	1,000.00	52.25	522.50
	Mrs. L. Thomas.....	1,000.00	53.75	537.50
	Virgil M. Estes.....	5,000.00	53	2,650.00
25	C. W. Oakley.....	1,000.00	54.25*	542.50
	N. P. Hall.....	3,000.00	55.625	1,668.75
	Louis Ballin.....	5,000.00	56.25	2,812.50
27	Alfred S. Frank.....	1,000.00	53	530.00
	J. W. Householder.....	5,000.00	56.25	2,812.50
	F. R. Evers.....	1,000.00	52.50	525.00
	Chas. B. Younger.....	1,000.00	52.25	522.50
	George Lusk.....	1,000.00	54.25	542.50
	John Post Miller.....	1,000.00	56	560.00
	Chas. P. Wright.....	1,000.00	56	560.00
	Chester Wainwright.....	1,000.00	56.25	562.50
	Reynold T. Wheeler.....	2,000.00	56	1,120.00
	W. H. Bates.....	1,000.00	54.25	542.50
	F. Cawthors.....	1,000.00	52.875	528.75
	R. A. Robertson.....	1,000.00	54.75	547.50
	Wilber F. Bennet.....	1,000.00	53.25	532.25
	R. L. Katter.....	1,000.00	55.75	557.50
	W. W. Cutter.....	1,000.00	53	530.00
	A. N. Larson.....	1,000.00	55.75	537.50
	Harry Cline.....	1,000.00	53.25	532.50
	Arland H. Starr.....	1,000.00	52.375	523.75
	J. Leslie Payne.....	1,000.00	55.625	556.25
	First National Bank.....	2,000.00	52.50	1,050.00
	Dickinson McQuire & Paul.....	1,000.00	51.875	518.75
30	First National Bank.....	5,000.00	52.50	2,625.00
	F. B. Moore.....	5,000.00	52.50	2,625.00
	Fred Sadler & Co.....	5,000.00	53	2,650.00
	H. McFarland.....	1,000.00	52.75	527.50
	J. E. Johnson.....	2,000.00	53.25	1,065.00
	Mrs. Herman Luderman.....	1,000.00	52	520.00
	F. M. Ingolls.....	1,000.00	52.25	522.50
	H. J. Bengstahler.....	1,000.00	52.50	525.00
	Oscar Larson.....	2,000.00	53.75	1,075.00
	First National Bank.....	1,000.00	52.25	522.50
	G. L. Whoster.....	1,000.00	52.25	522.50
	Harry W. Lindsey.....	2,000.00	99.50	1,990.00
	Oscar Braindly.....	1,000.00	53.50	535.00
	George W. Caldwell.....	1,000.00	59.625	596.25
	Knight Quincy.....	1,000.00	52.25	522.50
	Amos H. Warner.....	1,000.00	52.50	525.00
	William C. Waltman.....	3,000.00	53.25	1,597.50
	do.....	1,000.00	53	2,137.50
	Frederick C. Kenworthy.....	1,000.00	53.375	533.75
	S. Martha Watson.....	1,000.00	53.375	533.75
	Lillian M. Lord.....	1,000.00	53.375	533.75
	H. Davis.....	2,000.00	52.25	1,045.00
	Total.....	1,436,000.00	-----	827,058.15

SCHEDULE G

INSULL UTILITY INVESTMENTS (INC.)

Actual income after elimination of inflations

	1929	1930	1931	1932	Total
Profit per published reports.....	\$10,242,015.20	\$10,341,444.13	\$5,022,967.32	\$1,248,443.95	\$24,357,982.67
Deduct:					
Stock dividend at market.....	234,194.09	4,968,725.38	5,145,467.00	372,280.00	10,720,666.47
Stock dividend Insull, Son & Co.....		1,995,000.00			1,995,000.00
Dividend declared but not received.....		471,446.52	63,750.00		535,196.52
Proceeds from sale of rights.....	8,059,555.26	3,656,906.12	1,401,309.35		13,117,770.73
Proceeds from sale of rights on treasury stock.....		24,172.05			24,172.05
Total.....	8,293,749.35	11,116,250.07	6,610,526.35	372,280.00	26,392,805.77
Net profit.....	1,948,265.85	1,774,805.94	1,587,559.03	1,620,723.98	12,034,823.10
Dividends paid.....	952,551.33	2,995,065.13	3,149,827.20	82,662.00	
Surplus after dividends.....	995,714.52				
Deficit after dividends including 1929 surplus.....		2,774,156.55			
Deficit for year after dividends.....			4,737,386.23	1,703,385.98	

¹ Loss.

Dividends for years 1930, 1931, and 1932 were paid out of capital and therefore illegal, as follows:

1930.....	\$2,774,156.55
1931.....	3,149,827.20
1932.....	82,662.00
Total.....	6,006,645.75

SCHEDULE H

CORPORATION SECURITIES CO. OF CHICAGO

Actual income after elimination of inflations

	1929	1930	1931
Net income for years per published reports.....	\$630,091.79	\$8,006,804.05	\$2,569,370.03
Deduct:			
Stock dividends at market value when received.....	279,215.25	5,180,457.95	3,424,801.58
Sale of rights.....		1,497,763.63	1,472.62
Rights on hand taken up at subsequent sale price.....			143,581.75
Cash dividends received on reacquired stock.....	24,250.00	43,650.00	
Loss on called Middle West Utilities preferred and prior lien stock (carried in investment account).....	342,637.50		
Unamortized debt discount and expense.....			564,820.71
Deferred debits (documentary tax paid under protest).....			33,182.06
Dividends taken as income but not received as of Apr. 16, 1932.....		25,750.00	21,250.00
Portion of loss paid to Utility Securities Co. on the sale of 1,250,000 shares of Corporation Securities Co. of Chicago common stock charged to capital surplus: This company received \$301,452.36 cash dividend from Corporation Syndicates which was made on the sale of this stock.....		250,000.00	
Total.....	646,102.75	6,997,621.88	4,189,108.72
Net profit.....		1,009,182.47	
Net loss.....	16,010.96		1,619,738.69
Dividends paid.....	349,998.50	3,044,293.48	3,083,469.49
Earned surplus for the years (loss).....	366,009.46	2,035,111.01	4,703,208.18
		366,009.46	2,401,120.47
Earned surplus balance at end of year (loss).....	366,009.46	2,401,120.47	7,104,328.65

SCHEDULE I

ALLOTMENT CERTIFICATES (UNIT—1 SHARE OF PREFERRED AND 1 SHARE OF COMMON)

Purchases, sales, and prices

Date	Insull group		Monthly volume of trades	Price range during month		
	Bought	Sold		High	Low	Close
1929						
October.....	1,150	600	58,150	100	65	70
November.....	6,400	-----	22,250	69	57	65
December.....	2,600	-----	17,750	67	51	55
Total.....	10,150	600	98,150	-----	-----	-----
1930						
January.....	6,300	750	12,650	64	54	63½
February.....	10,650	960	24,550	71	63¾	69
March.....	20,000	4,410	21,000	71	68	70
April.....	29,175	1,825	43,800	72½	69	72
May.....	17,300	905	15,850	72	67½	69¾
June.....	16,650	4,811	24,250	69¾	62	63¾
July.....	5,250	2,600	5,100	68	62	66½
August.....	3,000	1,300	4,100	65½	60¾	64
September.....	3,450	900	5,000	64	59	60
October.....	8,400	1,502	10,800	62	54½	60
November.....	17,000	3,102	12,650	59¾	50	50¾
December.....	10,450	1,600	12,050	51	44	50
Total.....	147,625	24,665	191,500	-----	-----	-----
1931						
January.....	2,960	500	3,150	55	50	55
February.....	5,110	1,250	3,150	60	53	59
March.....	2,570	450	3,250	60	67½	89
April.....	3,200	300	3,900	58	53	53½
May.....	2,900	100	3,200	53	50	50½
June.....	4,000	600	5,200	50	44	49
July.....	2,150	50	4,300	49	45	46
August.....	2,300	-----	2,000	47	44	46
September.....	5,400	100	6,400	46	23	23
October.....	3,200	200	5,800	30	12	27
November.....	50	-----	-----	-----	-----	-----
Total.....	33,840	3,550	40,350	-----	-----	-----

NOTE.—Oct. 31, 1931, represents final date for trading in allotment certificate units.

SCHEDULE J

COMMON STOCK

Purchases, sales and prices

Date	Insull group		Monthly volume of trades	Price range during month		
	Bought	Sold		High	Low	Close
1930						
April	200,850	12,300	238,300	28 $\frac{1}{4}$	27 $\frac{1}{2}$	27 $\frac{3}{4}$
May	165,775	34,262	206,500	27 $\frac{3}{4}$	24 $\frac{1}{4}$	26
June	49,350	22,242	112,500	26	19 $\frac{1}{2}$	21 $\frac{1}{2}$
July	25,323	7,715	61,350	26 $\frac{1}{4}$	21 $\frac{1}{4}$	25 $\frac{1}{4}$
August	19,500	4,344	50,950	25 $\frac{1}{4}$	21 $\frac{1}{2}$	23 $\frac{1}{4}$
September	36,125	9,938	70,850	23 $\frac{1}{2}$	18	18 $\frac{1}{2}$
October	62,930	19,386	97,050	20	17	17 $\frac{3}{4}$
November	49,650	14,011	82,400	18	15	16 $\frac{1}{2}$
December	59,945	4,617	67,950	16 $\frac{1}{2}$	14	15
Total	669,448	128,815	987,850	-----	-----	-----
1931						
January	34,376	12,768	69,900	19 $\frac{3}{4}$	14 $\frac{1}{2}$	18 $\frac{1}{2}$
February	46,238	8,603	93,950	16 $\frac{1}{2}$	18	20 $\frac{1}{2}$
March	46,970	6,986	98,700	21	17 $\frac{1}{4}$	17 $\frac{3}{4}$
April	22,085	6,361	44,150	18 $\frac{1}{2}$	16 $\frac{1}{4}$	17 $\frac{1}{2}$
May	20,289	5,355	33,900	17 $\frac{3}{4}$	15 $\frac{1}{2}$	15 $\frac{1}{2}$
June	30,253	9,344	60,950	16 $\frac{1}{2}$	14 $\frac{1}{4}$	16
July	16,200	3,726	33,300	16 $\frac{3}{4}$	14 $\frac{1}{4}$	14 $\frac{3}{4}$
August	8,305	961	17,250	15 $\frac{1}{2}$	14 $\frac{1}{4}$	14 $\frac{1}{4}$
September	28,325	7,484	58,550	14 $\frac{1}{4}$	5 $\frac{1}{2}$	6 $\frac{3}{4}$
October	20,110	7,350	37,650	8 $\frac{1}{4}$	5	7
November	15,100	5,174	23,150	7	5 $\frac{1}{4}$	6
December	30,469	3,859	50,100	6	1 $\frac{1}{2}$	2 $\frac{1}{4}$
Total	318,720	77,971	621,550	-----	-----	-----
1932						
January	645	950	17,850	2	1 $\frac{1}{2}$	1 $\frac{1}{2}$
February	174	900	14,600	1 $\frac{1}{2}$	$\frac{3}{4}$	1
March	2,504	8,475	33,400	1	$\frac{1}{2}$	$\frac{1}{2}$
April	1,327	639	9,100	$\frac{1}{2}$	$\frac{1}{4}$	$\frac{1}{8}$
Total	4,650	10,964	74,950	-----	-----	-----

Mr. PECORA. Now, we will call Mr. Stilwell.

The CHAIRMAN. Mr. Stilwell, raise your right hand.

You do solemnly swear that the testimony you are about to give the committee in this investigation will be the truth, the whole truth, and nothing but the truth; so help you God.

Mr. STILWELL. I do.

TESTIMONY OF ABNER J. STILWELL, VICE PRESIDENT CONTINENTAL-ILLINOIS NATIONAL BANK & TRUST CO., CHICAGO, ILL.

Mr. PECORA. Mr. Stilwell, what is your full name and address, and business or occupation?

Mr. STILWELL. Abner J. Stilwell, 1260 Astor Street, Chicago; vice president Continental-Illinois National Bank & Trust Co.

Mr. PECORA. How long have you been connected with that bank as an officer?

Mr. STILWELL. Either with that bank or its predecessor bank since March 15, 1919.

Mr. PECORA. Now, did your bank or its predecessor bank make loans from time to time to corporations or individuals connected

with or affiliated with the so-called Insull group of public utilities companies?

Mr. STILWELL. It did.

Mr. PECORA. And were there a number of those loans outstanding in December, 1931?

Mr. STILWELL. There were.

Mr. PECORA. Have you prepared a written statement itemizing those loans?

Mr. STILWELL. I have.

Mr. PECORA. And the units, corporations, or individuals to whom they were made?

Mr. STILWELL. I have.

Mr. PECORA. Will you produce it, please?

Mr. STILWELL. Yes, sir.

Mr. PECORA. On account of the voluminous character of the statement, I ask, Mr. Chairman, that it be spread on the record.

The CHAIRMAN. There being no objection, it is so ordered.

(The statement is printed in the record in full, as follows:)

JANUARY 17, 1933.

Hon. PETER NORBECK,

*Chairman Committee on Banking and Currency,
United States Senate, Washington, D. C.*

MY DEAR MR. CHAIRMAN: As requested by you, I am pleased to advise you regarding the status and conditions surrounding the making of loans by the Continental-Illinois National Bank & Trust Co. and its predecessor banks to companies and corporations with which Mr. Samuel Insull was identified and commonly referred to as of the Insull group of companies.

From time to time, and over a period covering many years my bank has been making loans to various Insull companies in good faith and in the due and ordinary course of business. I have here a statement of all the existing loans as of April 16, 1932, as requested by you, showing the amounts, the names of debtors and a description of collateral.

I want especially to point out that in the case of the debentures which were issued by the Insull Utility Investments (Inc.), and Corporation Securities Co., of Chicago, the debentures on their face, expressly permitted the companies at any time without regard to the debentures to mortgage or pledge any of their property for the purpose of securing loans to the companies contracted in the usual course of business for periods not exceeding one year.

Sincerely yours,

ABNER J. STILWELL,

Vice President Continental-Illinois National Bank & Trust Co.

Date made	Date due	Maker	Interest rate	Amount owing Apr. 16, 1932	Collateral
Feb. 4, 1932.	May 4, 1932	W. L. Abbott.	<i>Per cent</i> 5½	\$264,000.00	2,327 shares Commonwealth Edison; 200 shares Chicago Bank of Commerce; \$5,000 Northwestern Mutual Life Insurance policy; \$5,000 Equitable Life Assurance policy; \$10,000 Aetna Life Insurance Co. 6,054 shares Middle West. Utilities, common; 3,786 shares Central & Southwest Utilities, common; 63 shares Peoples Gas Light & Coke; 81 shares Public Service Co. of Northern Illinois; \$100 par; 47 shares Highland Park State Savings Bank, Illinois; 65 shares Texas Corporation; 20 shares State Bank of Mundelein, Illinois; 13 shares Public Service Co. of Northern Illinois, no par; 10 shares Hinsdale State Bank, Illinois; 10 shares Federal Electric Co.; 7 per cent cumulative preferred; 10 shares Federal Electric Co., 6 per cent cumulative preferred; 30 shares Libertyville Trust & Savings Bank, Illinois; 5 shares Northern Indiana Public Service Co., preferred; 5 shares Sears, Roebuck & Co.; 100 shares 20 Wacker Drive Building Corporation, preferred; 3,100 shares Edward G. Budd Manufacturing Co., common.
Oct. 22, 1931	Demand	H. G. Clabaugh.	5	61,200.00	10,000 shares Middle West Utilities, common; 475 shares Commonwealth Edison Co.
Feb. 20, 1932.	do.	J. W. Evers, Jr.	5	58,700.00	2,902 shares Middle West Utilities, common; 1,295 shares Middle West Utilities, preferred; 462 shares Commonwealth Edison Co.; 169 shares Central & Southwest Utilities, common.
Nov. 30, 1931	do.	J. F. Gilchrist.	5	165,500.00	500 shares Midland United Co., common; 500 shares Lincoln Printing Co., common; 50 shares 20 Wacker Drive Building Corporation, preferred; 100 shares New England Power & Light, 6 per cent cumulative preferred; 400 shares Inland Investment Co., no par; 1,082 shares Commonwealth Edison Co., common; 9,917 shares Middle West Utilities Co., common; 500 shares Insull Utilities Investment Co., second preferred; 306 shares Insull Utilities Investment Co., common; \$30,000 copy of trust agreement No. 9580 to Northern Trust Co., trustee, assignment and letters pertaining to above interest in life insurance held by Northern Trust Co., Chicago; 100 shares Federal Electric (Inc.), 7 per cent cumulative preferred; 100 shares Federal Electric (Inc.), 6 per cent cumulative preferred; 132 shares Federal Service Co. of Northern Illinois, no par; 7 shares Central Illinois Public Service, preferred; 500 shares Corporation Securities Co., common; 500 shares Corporation Securities Co., preferred; \$10,000 Equitable Life Assurance Society policy.
Feb. 3, 1932.	May 3, 1932	J. L. Hecht.	5	84,000.00	632 shares Public Service Co. of Northern Illinois, no par; 130 shares Public Service Co. of Northern Illinois, \$100 par; 200 shares North American Light & Power Co., common; 101 shares Midland United Co., common; 125 shares Corporation Securities Co., common; 125 shares Corporation Securities Co., preferred; 400 shares Middle West Utilities Co., preferred; 21 shares Commonwealth Edison Co.; 1,382 shares Insull Utilities Investment Co., common; 100 shares Insull Utilities Investment Co., 6 per cent preferred.
Total				165,500	

Mar. 7, 1932.	Demand	R. S. Holden	6	40,495.05	30 shares Central & Southwest Utilities Power & Light, preferred; 61 shares Public Service Co. of Northern Illinois, \$100 par; 258 shares Commonwealth Edison Co.; 800 shares Corporation Securities Co. of Chicago, common; 149 shares Public Service Co. of Northern Illinois, no par; \$3,000 New York Life Insurance Co. policy; \$12,873 (computed value) New York Life Insurance Co. policy.
Oct. 29, 1931	Feb. 29, 1932	Martin J. Insull	4½	350,000.00	40,000 shares Corporation Securities, voting trust certificates; 8,250 shares Corporation Securities, common; 8,250 shares Corporation Securities, preferred.
Jan. 6, 1932	Demand	Samuel Insull	4½	2,775,000.00	21,000 shares Insull Utilities Investment (Inc.), preferred; 233 shares Commonwealth Edison Co.; 88,054 shares Insull Utilities Investment (Inc.) common; 162 shares Public Service Co. of Northern Illinois, common; 8,802 units Corporation Securities of Chicago; 136,189 shares Corporation Securities of Chicago, common; 608,941 shares Corporation Securities of Chicago, voting trust.
Mar. 14, 1932	do	J. G. Learned	5	96,357.00	800 shares Insull Utilities Investment, common; 5,000 shares Middle West Utilities Co., common; 831 shares Public Service Co. of Northern Illinois, no par; \$40,000 Northwestern Mutual Life Insurance policy.
Dec. 18, 1931	do	P. J. McEnroe	5	127,070.25	6 shares Commonwealth Edison Co.; 6,650 shares Insull Utilities Investment, common; 7,700 shares Corporation Securities Co. of Chicago, common; 27,000 shares Corporation Securities Co. of Chicago, voting trust.
Mar. 14, 1932 Mar. 19, 1932	do do	Midland United Co.	5	3,125,000.00	278,549 shares Public Service Co. of Indiana, common (Midland Utilities Co., Indorse); \$939,100 Central Indiana Power, first mortgage 6s, 1947; 175,000 shares Central & Southwest Utilities Co., common; \$3,619,000 Public Service Co. of Indiana, first mortgage 6s Feb. 1, 1932; 50,000 shares Gary Electric & Gas Co. (Midland United Co., Indorse); 1,000,000 shares Northern Indiana Public Service Co., common.
Jan. 25, 1932	do	Midland Utilities Co.	5	2,500,000.00	3,730 shares Peoples Gas Light & Coke Co.; 77¾ shares Insull Utilities Investment Co., common; 194 warrants Middle West Utilities class A; 194 warrants Middle West Utilities class B; 100 shares Inland Investment Co.
Apr. 8, 1932	do	Geo. F. Mitchell	5	318,707.27	1,225 shares Insull Utilities Investment Co.; 500 shares Corporation Securities Co. of Chicago voting trust certificates; 107 shares Commonwealth Edison Co.
Mar. 23, 1932	June 17, 1932	J. F. O'Keefe	5	16,500.00	730 shares Arkansas-Missouri Power Co., preferred; \$85,000 Arkansas-Missouri Power Co., 10-year 6½ debenture, 1935; \$97,000 Arkansas-Missouri Power Co., first 6 per cent 30-year sinking fund 1953; 5,600 shares Central Illinois Public Service Co., no par; 4,900 shares Central & Southwest Utilities 6½ prior lien preferred; 3,200 shares Central & Southwest Utilities 7½ preferred; 210,300 shares Central & Southwest Utilities, no par, common; 829 shares Commonwealth Edison Co.; \$173,000 Inland Power & Light Corporation, collateral trust sinking fund 6s, 1957; \$80,000 Inland Power & Light Corporation, collateral trust sinking fund 6s, 1936; \$121,000 Inland Power & Light Corporation, sinking fund 7s, 1935; 244 shares Inland Power & Light Corporation, 7 per cent cumulative preferred; \$176,000 Inland Power & Light Corporation collateral trust sinking fund 6s, 1941; \$21,000 Indiana Electric Corporation first mortgage 5 per cent C, 1951; 22,000 shares Kansas Electric Power Co., no par common; 3,300 shares Michigan Gas & Electric, \$100 par common; 2,100 shares Michigan Gas & Electric 6 per cent, no par preferred; 10,100 shares North-
Feb. 9, 1932 Feb. 15, 1932	May 9, 1932 May 16, 1932	Middle West Utilities Co.	5	\$3,000,000 2,000,000	

Date made	Date due	Maker		Interest rate	Amount owing Apr. 16, 1932	Collateral
Feb. 9, 1932..... Feb. 15, 1932.....	May 9, 1932 May 16, 1932	Middle West Utilities Co.....		<i>Per cent</i> 5	\$5,000,000.00	west Utilities Co. \$6 preferred; 193,000 shares National Electric Power B common; \$14,000 National Public Service Corporation, G debenture 5s, 1978; 85,100 shares National Electric Power Co., no par A common; \$72,100 National Electric Power Co. second G debenture 5s, 1978; 734 shares Peoples Gas Light & Coke Co.; 110,000 shares Northwest Utilities Co., no par common; 32,700 shares Kentucky Utilities Co., \$100 common; \$80,000 Northwestern Public Service Co., first mortgage A 3s, 1957; 6,900 shares Northwest Utilities Co., \$100 par 7 per cent preferred; 3,800 shares Northwest Utilities Co., \$100 par 7 per cent prior lien preferred; 34 shares Public Service Co. of Northern Illinois common; 3,600 shares Southwestern Light & Power Co. preferred, no par; \$23,000 West Texas Utilities Co., first mortgage 5 per cent A, 1957; 250 shares National Electric Power, 6 per cent cumulative preferred.
Dec. 28, 1931..... Jan. 25, 1932..... Feb. 16, 1932..... Mar. 3, 1932..... Mar. 16, 1932..... Do..... Mar. 28, 1932..... Apr. 11, 1932..... Apr. 15, 1932.....	Apr. 28, 1932 Apr. 25, 1932 May 16, 1932 June 1, 1932 May 16, 1932 June 14, 1932 June 27, 1932 Demand..... do.....	Marshall E. Sampsell.....		5	269,900.00	22,247 shares Middle West Utilities Co. common; 2,000 shares Central Illinois Public Service preferred; 2,826 shares Insull Utilities Investment (Inc.), common; 8,500 shares Central & Southwest Utilities Co. common; \$50,000 Canada Life Assurance Co. policy; \$100,000 New York Life Insurance Co.
Total..... Jan. 7, 1932.....	do.....	W. A. Sauer.....		5	272,500.00	2,925 shares Peoples Gas Light & Coke Co.; 500 shares Corporation Securities Co. of Chicago, common; 500 shares Corporation Securities Co. of Chicago, \$3 preferred; 7,196 shares Insull Utilities Investment (Inc.), common; 500 shares Insull Utilities Investment (Inc.), preferred; 3,050 shares Middle West Utilities Co., common; 100 shares Middle West Utilities Co., preferred; 100 shares Inland Investment Co.; 5,650 shares Midland United Co.
Mar. 30, 1932..... Apr. 6, 1932..... Total.....	July 28, 1932 Aug. 8, 1932	F. H. Scheel.....		5 4½	273,800.00	100 shares Lake Co. Land Association; 863 shares Public Service Co. of Northern Illinois, no par; 89 shares Public Service Co. of Northern Illinois, \$100 par; 1,000 shares Peoples Gas Light & Coke Co.; 1,300 shares Commonwealth Edison Co.; 100 shares Lowell Scheruan Syndicate; \$38,000 Middle West Utilities Co. 5s, 1935; \$4,000 Public Service Co. of Northern Illinois, 5s, Oct. 1, 1926; \$5,000 North American Light & Power 5½s, July 1, 1926; \$10,000 Commonwealth Subsidiary Corporation 5½s, July 1, 1926; \$5,000 Arkansas-Missouri Power Co. 6½s, May 1, 1935; \$10,000 Gary Electric & Gas Co. 5s, July 1, 1934; \$5,000 Metropolitan West Side Elevator 4s, 1935; \$16,000 Middle West Utilities Co. 5s, 1934; \$5,000 Standard Power & Light Corporation 6s, 1927; \$2,000 Middle West Utilities Co. 5s, June 1, 1933.
Feb. 10, 1932.....	May 10, 1932	Chas. B. Scott.....		5	16,146.75	100 shares American Public Service Co. preferred.

Dec. 24, 1931	Demand	Charles E. Thompson	5½	15,000.00	20 shares 20 Wacker Drive Building Corporation preferred; \$6,400 Common Co. notes 6s, Jan. 1, 1934; \$3,000 Union Elevated R. R. first mortgage 5s, 1945; \$3,000 Chicago Rapid Transit first refunding 5s, 1953; \$12,000 C/D Chicago Ry. Co. first mortgage, 15 per cent preferred 5s, 1927; 303 shares Consolidated Properties Trust, common; \$10,000 New England Mutual Life Insurance Co. policy.
July 8, 1931	do	20 Wacker Drive Building Corporation.	5	3,385,000.00	\$7,000,000 20 Wacker Drive Building Corporation, second mortgage 5 per cent G/B, due 1942 (Samuel Insull insider).
Feb. 5, 1932	June 10, 1932	G. W. Williamson	5	29,957.00	399 shares Middle West Utilities Co., common; 262 shares Commonwealth Edison Co.; 200 shares Corporation Securities Co., common; 200 shares Corporation Securities Co., \$3 preferred; 100 shares Central Illinois Securities Corporation, convertible preferred; 100 shares Central Illinois Securities Corporation, common; \$1,000 Central Georgia Power 5s, 1938; 102 shares Central & Southwest Utilities common; 3 shares Public Service Co. of Northern Illinois, 7 per cent preferred; 11 shares Public Service Co. of Northern Illinois, no par; 7 shares Public Service Co. of Northern Illinois \$100 par; 14 shares Insull Utilities Investment (Inc.), common; 245 shares Middle West Utilities Co., common; \$392.50 cashier's check.
Apr. 16, 1931	Demand	Public Service Trust	5	1,790,000.00	1,330 shares Peoples Gas Light & Coke Co.; 2,708 shares Commonwealth Edison Co.; 176,170 shares Middle West Utilities Co., common; 14,275 shares Insull Utility Investments Co., common; 500 shares Insull Utility Investment Co., second series preferred; 15 shares Central Illinois Public Service Co., preferred; 360 shares Central & Southwest Utilities Co., \$7 preferred; 400 shares Central & Southwest Utilities Co., \$7 prior lien preferred; 1,450 units Corporation Securities Co. of Chicago; 10,944 shares Corporation Securities Co. of Chicago, common; 3,502 shares Corporation Securities Co. of Chicago, voting trust certificates; 4,300 shares Corporation Securities Co. of Chicago, preferred; 334 shares Illinois Northern Utilities Co., preferred; 816 shares New England Public Service Co., \$7 preferred; 219 shares Peoples Trust & Savings Bank of Chicago; 610 shares 20 Wacker Drive Building Corporation, \$6 cumulative preferred; 6,571 shares Midland United Co., common; 5,810 shares Central & Southwest Utilities, common; 48 shares Middle West Utilities Co., \$6 preferred; \$343,000 Peabody Coal Co., first mortgage 5 per cent, 1933; \$3,500 Keystone Printing Service Co. of Libertyville, Ill., first mortgage 6 per cent, due Mar. 15, 1933; \$3,300 Keystone Printing Service Co. of Libertyville, Ill., first mortgage 6 per cent, due Mar. 15, 1934; \$3,500 Keystone Printing Service Co. of Libertyville, Ill., first mortgage 6 per cent, due Mar. 15, 1935; \$3,000 Keystone Printing Service Co. of Libertyville, Ill., first mortgage 6 per cent, due Mar. 15, 1936; \$5,500 Keystone Printing Service Co. of Libertyville, Ill., first mortgage 6 per cent, due Mar. 15, 1937; \$5,500 Keystone Printing Service Co. of Libertyville, Ill., first mortgage 6 per cent, due Mar. 15, 1938; \$5,500 Keystone Printing Service Co. of Libertyville, Ill., first mortgage 6 per cent, due Mar. 15, 1939; \$100,000 Keystone Printing Service Co. of Libertyville, Ill., first mortgage 6 per cent, due Mar. 15, 1940; 264 shares Public Service Co. of Northern Illinois, 7 per cent preferred; 106 shares Public Service Co. of Northern Illinois, no par common; \$6,500 note of Rudolph Kleybolte & Co., due on demand, secured by 500 shares Central States Electric Corporation, common (held by

Date made	Date due	Maker	Interest rate	Amount owing Apr. 16, 1932	Collateral
Apr. 16, 1931	Demand	Public Service Trust	<i>Per cent</i> 5	\$1,790,000.00	<p>Provident Savings Bank & Trust Co. of Cincinnati, Ohio; \$67,647.91 demand note of F. L. Daily, dated Sept. 15, 1930 secured by \$67,500 corporation note Bennington Apartments Building Corporation, due December 15, 1931, 1932, 1933, 1934, 1935; \$1,250 demand note of C. W. Daniels, dated Aug. 29, 1930; \$50,000 demand note of Julianne Deane, dated Oct. 22, 1930, secured by 20 units Corporation Securities Co. of Chicago, 261 shares Insull Utilities Investment Co., common, 125 shares Loudon Packing Co., 33 shares Middle West Utilities Co., common, 20 shares Midland Utilities Co. prior lien, 100 shares Paramount Public Corporation common, 5 shares Peoples Gas Light & Coke Co., 50 shares Swift United States Pipe & Foundry Co. common; \$3,000 demand note of J. W. Evers, dated Feb. 27, 1925, secured by 100 shares Inland Investment Co.; \$10,000 demand note of George B. Foster, dated Nov. 11, 1929, secured by 100 shares Lake Co. Land Association; \$1,250 demand note of E. Ogden Ketting, dated July 15, 1929; \$1,250 demand note of E. Ogden Ketting, dated Aug. 20, 1929, secured by 25 shares Inland Investment Co.; \$6,866.26 demand note of Frances Held, dated Oct. 29, 1929, secured by 320 shares Insull Utilities Investment (Inc.) common, 620/200th shares Insull Utilities Investment (Inc.) common; \$1,250 demand note of W. R. Irwin, dated Aug. 29, 1930; \$4,000 demand note of Ida T. Jorgensen, dated May 3, 1929; \$2,981.53 demand note of Ida T. Jorgensen, dated May 18, 1927, secured by 80 shares Middle West Utilities 6 per cent preferred, 863 shares Middle West Utilities common, 80 warrants Middle West Utilities A, 80 warrants Middle West Utilities B, 1512/400th scrip certificates Middle West Utilities common; \$5,000 demand note, dated Aug. 20, 1929, of F. M. O'Donnell; \$5,000 demand note, dated July 15, 1929, of F. M. O'Donnell; secured by 100 shares Inland Investment Co.; \$28,836.82 demand note of John F. O'Keefe, dated Oct. 31, 1931, secured by 100 shares Corporation Securities Co. of Chicago \$3 preferred, 100 shares Corporation Securities Co. of Chicago common, 100 shares Inland Investment Co., 100 shares Insull Utilities Investment preferred second series; \$1,200 note of Lillian G. Ross, dated Oct. 26, 1931, due Oct. 26, 1932, secured by \$2,000 Insull Utilities Investment (Inc.) debentures 6 per cent, due 1940; \$3,000 demand note of Wilkenson Process Rubber Sales Corporation, dated June 5, 1931; \$7,000 demand note of Wilkenson Process Rubber Sales Corporation, dated June 29, 1931; \$3,800 demand note of Wilkenson Process Rubber Sales Corporation, dated Aug. 18, 1931; \$4,146.54 demand note of Wilkenson Process Rubber Sales Corporation, dated Aug. 31, 1931; \$3,500 demand note of Wilkenson Process Rubber Sales Corporation, dated Nov. 2, 1931; \$1,700 demand note of Wilkenson Process Rubber Sales Corporation, dated Dec. 7, 1931; \$500 demand note of A. P. Arsenault; \$4,065 demand note of Esther T. Baril, secured by 116</p>

shares Middle West Utilities Co. common, 448/400 shares Scrip certificates Middle West Utilities common; \$140,000 mortgage notes of Lawrence Benson, due Mar. 19, 1932; \$360.64 demand note of Robert W. Bonesteel, secured by 50 shares Insull Utilities Investment second preferred; \$2,500 demand note of Robert W. Bonesteel, secured by 50 shares Inland Investment Co.; \$2,500 demand note of Robert W. Bonesteel; \$3,730 demand note of Robert W. Bonesteel, secured by 50 shares Corporation Securities Allocation certificates; \$3,750 demand note of Robert W. Bonesteel, secured by 250 shares Insull Utilities Investment common; \$2,000 demand note of Richard C. Burritt; \$7,600 demand note of Richard C. Burritt, secured by 123 shares No. 201 East Delaware Place Building Corporation; \$1,230 demand note of W. J. Keely, dated Aug. 29, 1930; \$1,050 demand note of W. J. Keely, dated May 22, 1931, secured by participation receipt of Insull Utilities Investment Syndicate; \$175,000 demand note of Lake County Land Association, dated Mar. 3, 1930; \$10,000 demand note of Lake County Land Association, dated Apr. 15, 1930; \$70,000 demand note of Lake County Land Association, dated Feb. 17, 1931; \$1,000 note of Louis Karpil and Katherine Kvpil, dated Aug. 21, 1931, due Aug. 21, 1932, secured by 40 shares Chicago Rapid Transit Co. prior preferred, series B, \$18,578.54 demand note of P. J. McEnroe, dated Oct. 1, 1931, secured by \$500 Electric Club 5 per cent 1945, 1 share Libertyville Construction Co., 5 shares Libertyville Trust & Savings Bank, 30 shares Libertyville Bond & Mortgage Co., 140 shares Insull Utilities Investment (Inc.) common, 514 shares Corporation Securities Co. of Chicago voting trust certificates, 201 shares Corporation Securities Co. of Chicago common, 71 shares Middle West Utilities Co. common, 145 warrants Middle West Utilities Co. B; \$17,450 demand note of Catherine A. McGuire, dated Aug. 18, 1931, secured by 26 shares Associated Telephone Utilities Co. common, 7 shares Chicago Rapid Transit Co. voting trust certificates, 28 shares common Edison Corporation Securities Co. of Chicago, 70 shares Insull Utilities Investment (Inc.) preferred second series, 204 shares Insull Utilities Investment (Inc.) common, 40 shares Middle West Utilities Co. common; \$4,000 demand note of Benjamin H. Miller, dated June 2, 1931; \$6,000 demand note of Benjamin H. Miller, dated May 15, 1931; \$25,000 demand note of Benjamin H. Miller, dated Nov. 29, 1930; \$25,000 demand note of Benjamin H. Miller, dated June 9, 1930; \$50,000 note of Benjamin H. Miller, dated June 11, 1930, due May 15, 1931, secured by 25 shares Continental Illinois Bank & Trust Co., 10 shares First National Bank of Chicago, 100 shares Irving Trust Co. of New York, 20 shares Guaranty Trust Co., 30 shares National City Bank, New York; \$1,875 demand note of Thomas W. Bee, dated Nov. 1, 1929, secured by 25 units Corporation Securities Co. of Chicago; \$33,000 demand note of Chicago Civic Opera Co., \$70,000 demand note of Chicago Civic Opera Co., \$2,725 demand note of I. Ruth Crum; \$8,970 demand note of I. Ruth Crum, secured by 92 shares Insull Utilities Investment second preferred, 100 shares Insull Utilities Investment common.

Date made	Date due	Maker	Interest rate	Amount owing Apr. 16, 1932	Collateral
Jan. 8, 1932.....	Demand.....	Corporation Securities Co.....	Per cent 5	\$5,750,000.00	\$125,176.49 cashiers check No. 428859, payable to ourselves; 21,392 shares Commonwealth Edison Co.; 18,923 shares Insull Utilities Investment Co., common; 29,500 shares Insull Utilities Investment Co. 5½ per cent preferred; 8,000 shares Insull Utilities Investment Co. 5½ per cent preferred; 368,821 shares Middle West Utilities, common; 8,345 shares Middle West Utilities, 6 per cent preferred; 2,700 shares Peoples Gas Light & Coke Co.; 2,845 shares Public Service Co. Northern Illinois, no par common; 1,166 shares Public Service Co. Northern Illinois, \$100 par.
July 1, 1931.....	Demand.....	Hill Joiner & Co.....	5½	\$1,478,747.42	\$2,000 American Natural Gas Corporation 6½ per cent, 1942; \$500 Bee News Publishing Co. 6s, 1937; \$6,000 Bee News Publishing Co. 6s, 1938; \$1,000 Bee News Publishing Co. 6s, 1939; \$7,500 Bee News Publishing Co. 6s, 1940; \$10,000 Bee News Publishing Co. 6s, 1941; \$8,000 Bee News Publishing Co. 6s, 1943; \$1,000 Central Power Co. 5s, 1957; \$31,800 Central Power & Light 6½s, 1951; \$1,000 Chicago District Electric Corporation 6s, 1901; \$1,000 Chicago North Shore & Milwaukee 6s, 1955; \$23,000 Corporation Securities Co. of Chicago 5s, 1933; \$81,000 Corporation Securities Co. of Chicago 5s, 1934; \$31,000 Corporation Securities Co. of Chicago 5s, 1935; \$26,000 Eastern Shore Public Service Co. 5s, 1955; \$1,000 Federal Public Service Corporation 6s, 1932; \$11,500 Federated Utilities Co. 5½s, 1957; \$1,000 Florida Power Corporation 5½s, 1956; \$500 Georgia Power & Light Co. 5s, 1978; \$1,000 Ironwood & Bessemer Railway & Light Co. 5s, 1936; \$1,000 Jersey Central Power & Light Co. 4½s, 1961; \$5,000 Metropolitan District Finance Co. 6s, 1943; \$35,500 Metropolitan District Finance Co. 6½s, 1944; \$3,000 Metropolitan Water Sewerage & Drainage Board 5½s, 1950; \$5,000 Michigan Gas & Electric Co. 6s, 1943; \$89,500 Michigan Gravel Building 6½s, 1948 (520 North Michigan Avenue); \$4,100 Missouri Edison Co. 5½s, 1947; \$1,900 Missouri Gas & Electric Co. 6s, 1944; \$43,000 National Electric Power Co. 5s, 1978; \$82,500 National Public Service Co. 5s, 1978; \$2,000 Phillips Petroleum Co. 5½s, 1939; \$1,000 Public Service Co. of Oklahoma 5s, 1947; \$1,000 Tide Water Power Co. 5s, 1979; \$1,500 Willoughby Tower Buildings 5s, 1943; \$2,000 Wisconsin Power & Light Co. 5s, 1958; 470 shares American Equities Co., common; 537 shares Central Public Service Corporation A; 48,306 shares Central & South West Utilities Co., common; 100 shares Cities Service Co., common; 2,000 shares Corporation Securities Co. of Chicago, \$3 preferred; 190 shares De Forest Radio Co.; 758 shares General Gas & Electric Corporation, common A; 50 shares Insull Utility Investments (Inc.), common; 1,981 shares Insull Utility Investments (Inc.), \$5.50 prior preferred; 5,064 shares Insull Utility Investment (Inc.), common; 1,481 shares Insull Utility Investments (Inc.), \$6 preferred; 24,632 shares Middle West Utility, common; 44,288 shares Midland United, common; 13,800 shares Midland United \$6 preferred; 65 shares Midland Utilities, 6 per cent prior lien;
July 9, 1931.....	do.....				
July 15, 1931.....	do.....				
July 15, 1931.....	do.....				
Aug. 11, 1931.....	do.....				
Sept. 9, 1931.....	do.....				
Sept. 14, 1931.....	do.....				
Oct. 1, 1931.....	do.....				
Dec. 1, 1931.....	do.....				
Dec. 1, 1931.....	do.....				
Dec. 1, 1931.....	do.....				
Dec. 1, 1931.....	do.....				
Dec. 1, 1931.....	do.....				
Dec. 1, 1931.....	do.....				
Dec. 1, 1931.....	do.....				
Jan. 6, 1932.....	do.....				
Total.....				1,478,747.42	

70 shares Midland Utilities, 7 per cent class A preferred; 2,500 shares Mississippi Valley Utilities Investment Co., common; 1,100 shares Mississippi Valley Utilities Investment Co., \$6 preferred; 14,100 shares National Electric Power, A; 100 shares National Public Service Corporation, \$3.50 cumulative preferred; 141 shares New England Public Service Co., preferred; 357 shares Northern Indiana Public Service Co. 6 per cent preferred; 206 shares North West Utilities Co. 7 per cent preferred; 110 shares North West Utilities Co. 7 per cent prior lien; 115 shares The Ohio Oil Co., common; 4,300 shares Seaboard Public Service Co., \$3.25 converted preferred; 250 shares Southwestern Light & Power Co., 6 per cent preferred; 884 shares Twenty Wacker Drive Bldg. Corporation, 6 per cent preferred; 239 shares Utilities Power & Light Corporation, class A. Held at Chase National Bank, New York; \$48,000 Tide Water Power Co. ss, 1979; 15,000 shares National Electric Power Co., A. (Obligation of Middle West Utilities Co. see agreement dated Feb. 1, 1932.)					
6,000 shares Central & Southwest Utilities, common; 50 shares Corporation Securities Co., common; 30 shares Midland Utilities Co., 7 per cent prior lien; 253 shares Midland Utilities Co., 6 per cent prior lien; 500 shares Midland Utilities Co., 7 per cent A preferred; 1,660 shares Insull Utility Investment, common; 2,200 shares Midland United Co., common; 620 shares Peoples Gas Light & Coke Co.; 534 shares Public Service Co. of Northern Illinois, no par; 150 shares Public Service Co. of Northern Illinois, \$100 par.					
68,058 shares Central & Southwest Utilities, common; 5,506 shares Commonwealth Edison Co.; 139,058 shares Corporation Securities Co., common; 89,058 shares Corporation Securities Co., preferred; 29,000 shares Insull Utilities Investment Co., common; 900 shares Insull Utilities Investment, \$5.50 preferred; 10,000 shares Marshall Field & Co., common; 317,663 shares Middle West Utilities Co., common; 18,525 shares Middle West Utilities Co., \$6 preferred; 74,058 shares Midland United Co., common; 13,070 shares Midland United Co., convertible preferred, series A; 13,070 shares Midland United Co., warrants for common stock; 553 shares Midland Utilities Co., 6 per cent prior lien; 3,200 shares National Public Service, \$3.50 cumulative convertible preferred; 455 shares Peabody Coal Co., \$6 preferred; 8,400 shares Peoples Gas Light & Coke Co.; 4,000 shares Seaboard Public Service Co., \$5.25 convertible preferred; 440 shares Seaboard Public Service, \$6 preferred; 500 shares 20 Wacker Drive Building Corporation, \$6 preferred; \$250,000 National Public Service Corporation, 5 per cent, 1978; \$100,000 Corporation Securities Co. of Chicago ss, 1933; \$100,000 Corporation Securities Co., common; 1934; \$100,000 Corporation Securities Co. of Chicago ss, 1935.					
75,000 shares Central & Southwest Utilities Co., common; \$2,270 shares Commonwealth Edison Co.; 60,000 shares Corporation Securities Co., common; 111,000 shares Corporation Securities Co., \$3 preferred; 913,322 shares Middle West Utilities Co., common; 3,250 shares Middle West Middle West Utilities Co., A warrants; 3,250 shares Middle West Utilities Co., B warrants; 30,000 shares Midland United Co., common; 23,607 shares Peoples Gas Light & Coke Co.; 21,230 shares Public Service Co., Northern Illinois, no par common; \$1,000,174.83 cashier's check No. 428,860 on us payable to us; \$3,610.67 cashier's check No. 429,296 on us payable to us.					
Inland Investment Co.-----	5	101,300.00			
Insull Son & Co. (Inc.)-----	do	7,035,356.08			
Insull Utilities Investment (Inc.)-----	do	18,957,500.00			

Jan. 8, 1932.

Do

Do

Date made	Date due	Maker	Interest rate	Amount owing Apr. 16, 1932	Collateral
Mar. 2, 1931	Demand	A. B. Leach & Co., regular account.	Per cent 5	\$3,503,012.31	A. B. Leach & Co. depository account in the A. B. Leach & Co. regular account. Assignments of life insurance policies of Arthur B. Leach, together with the consent of both the First National Bank, Chicago, and the Central Republic Bank & Trust Co., to surrender policies on a basis of cash surrender value thereof. The total proceeds representing cash surrender value amounting to \$18,527.67 has been received. Of this amount \$1,676.24 has been credited to the account of A. B. Leach & Co. and \$16,851.43 is represented by our cashier's check No. 435243 for similar amount payable to ourselves account A. B. Leach & Co. and deposited in collateral account. Part interest in \$21,000 of proceeds to be obtained in connection with sale of the following securities held as part collateral to loan of Public Utilities Investment Co.: 2,160 shares Follow the Swallow Tourist Camp (Inc.), \$106,153.97 note of Follow the Swallow Tourist Camp, dated Mar. 3, 1932, due on demand; \$10,000 cashier's check No. 423106 on us, payable to us; 2,550 shares Western Power Light & Telephone, participating class A; 100 shares Central Power & Light Co., 7 per cent preferred; 40,000 shares Mississippi Valley Utilities Investment Co., common; 393 shares Western Power, Light & Telephone Co., 7 per cent preferred; \$35,000 Boston & Maine R. R. 4½s, 1961; \$138,500 Central West Public Service 6s, 1933; \$246,200 Central West Public Service 5½s, 1936; \$13,000 Central West Public Service 6s, 1936; \$55,000 Central West Public Service 7s, 1932; \$5,000 Cities Service Power & Light Co. 5½s, 1949; \$100,000 City of Detroit, Mich., 4s, 1961; \$35,000 Florida Power Corporation 5½s, 1936; \$3,000 Florida Power Corporation 5½s, 1979; \$2,000 Godchaux Sugars 7½s, 1941; \$139,000 Indiana Electric Corporation 4½s, 1932; \$1,000 Interlake Iron Corporation 6s, 1951; \$5,000 Middle West Utilities Co. 5s, 1935; \$2,000 North American Light & Power Co. 5½s, 1956; \$54,100 Northwestern Public Service Co. 5s, 1937; \$3,000 Puget Sound Power & Light 4½s, 1950; \$1,000 Southern Pacific Co. 4½s, 1941; \$14,000 Southwestern Gas & Electric Co. 6s, 1961; \$54,000 Tide Water Power Co. 5s, 1979; \$1,158,000 Western Power Light & Telephone 6s, 1933; \$1,638,000 Western Power Light & Telephone 6s, 1950; \$35,000 Western Power Light & Telephone 6s, 1948. Our proportion of securities deposited with trustee by Middle West Utilities Co. in accordance with agreement dated Apr. 14, 1932.
Mar. 2, 1931	do				
Apr. 7, 1931	do				
Apr. 9, 1931	do				
May 18, 1931	do				
June 1, 1931	do				
Aug. 25, 1931	do				
Sept. 17, 1931	do				
Sept. 28, 1931	do				
Oct. 13, 1931	do				
Oct. 26, 1931	do				
Nov. 4, 1931	do				
Nov. 10, 1931	do				
Nov. 16, 1931	do				
Nov. 25, 1931	do				
Dec. 2, 1931	do				
Dec. 7, 1931	do				
Dec. 14, 1931	do				
Dec. 15, 1931	do				
Dec. 21, 1931	do				
Jan. 22, 1932	do				
Jan. 28, 1932	do				
Jan. 28, 1932	do				
Jan. 28, 1932	do				
Mar. 14, 1932	do				
Mar. 15, 1932	do				
Total				3,503,012.31	
Mar. 2, 1932	do	A. B. Leach & Co., account No. 1.	6	3,467,000.00	22,147 shares Allied Motors, common; 938 shares Allied Motors, preferred; 3,200 shares American Cirrus Eng. A; 7,500 shares Cord Corporation; 4,761 shares Van Sicklin Corporation, participating A; 101 shares Western Power, Light & Telephone, preferred; 1,089 shares American Service, preferred; 56,655 shares American Service, common; 7,875 shares American Service, B, common; 100 shares Bendix Aviation; 550 shares Godchaux Sugar, B; 10,000 shares Mid Continent Laundries (Inc.), common; 12,400 shares National Terminal, participating; 135 shares 20 Wacker Drive, preferred; 98,500

Oct. 24, 1931-----	597,961.84	Utility Securities Co.-----	4 1/2	5,436,698.41	shares Western Power, Light & Telephone, common; 2,943 shares Woodruff & Edwards, participating; \$39,000 Allied Motors Industries 6s, 1934; \$71,000 American Service, 6 1/2s, 1934; \$75,000 American Service 6s, 1934; \$16,500 Central West Public Service 5 1/2s, 1936; \$71,000 National Terminals 6 1/2s, 1940; \$500 O Cedar Corporation 6s, 1932; \$1,000 Ohio Terminal 6s, 1947; \$185,000 Van Sickle Corporation 6s, 1934 C/D; \$7,000 Western Power, Light & Telephone 6s, 1948; \$149,000 Mid Continent Laundries 6s, 1939; \$98,500 Mid Continent Laundries 7s, 1939; \$135,000 Wardman Realty & Construction 6 1/2s, 1938.
Oct. 28, 1931-----	423,300.05	do-----			\$91,500 American Service Co. Convertible 6 1/2s, 1934 (C/D); 93,233 shares Central & Southwest Utilities common; 2,335 shares Consumers Co., 6 per cent prior lien; 1,335 shares Commonwealth Edison Co.; 1,300 shares Cord Corporation; 172,023 shares Corporation Securities Co. of Chicago, common; 25,100 shares Corporation Securities Co. of Chicago, voting trust certificate; 16,295 shares Corporation Securities Co. of Chicago, \$3 preferred; \$4,000 Corporation Securities Co. of Chicago, gold notes; 5s, 1934; 15,690 shares Insull Utilities Investment, \$6 preferred; 2,000 shares Insull Utilities Investment, common; \$270,000 Insull Utilities Investment debentures 5s, 1,940; 50 shares Michigan Electric Power Co., 6 per cent preferred; 390,747 shares Middle West Utilities, common; 3,310 shares Middle West Utilities convertible preferred; \$6; 137,608 shares Midland United Co., common; 750 shares Midland United Co., \$3 convertible preferred; 9,800 shares Midland Utilities, 7 per cent prior lien; 1,800 shares Midland Utilities, 6 per cent prior lien; 203,100 shares Mississippi Valley Utilities Investment, common; 100 shares Mississippi Valley Utilities Investment, 7 per cent preferred; 215 shares Municipal Service, 8 per cent preferred, X. W.; 7,085 shares Municipal Service, 6 per cent preferred, W. W.; 54646 shares National Electric Power, A, common; \$12,000 National Electric Power, 5s, 1978; \$47,000 National Public Service 5s, 1978; 210 shares New England Public Service, 6 per cent preferred; 450 shares New England Light & Power Co. 5 1/2s, 1956; 1,479 shares North American Light & Power Co., \$6 preferred; 517 shares Northwestern Public Service, no par preferred; 3,500 shares North Indiana Public Service, 6 per cent preferred; 116 shares Ohio Electric Power, 6 per cent preferred; 4,800 shares Peoples Gas Light & Coke Co. 6 1/2s shares Public Service Co. Northern Illinois, no par common; 280 shares Public Service Co. Northern Illinois, \$100 par; 773 shares Seaboard Public Service Co., 6 per cent preferred; 918 shares Southland Ice Co., 7 per cent preferred; 1,486 shares 20 Wacker Drive Building, 6 per cent preferred; 100 shares Virginia Public Service, 6 per cent preferred; 118 shares West Texas Utilities Co., 6 per cent preferred; 800 shares Western Power Light & Telephone Co., A.
Oct. 28, 1931-----	4,409,436.52	do-----			Assignment dated Jan. 28, 1931 of interest in a certain syndicate agreement between Mitchell Hutchins & Co. as syndicate managers and the Leach Corporation agreement dated Aug. 22, 1929; assignment executed by the Leach Corporation to Continental Illinois Bank & Trust Co. covering sundry accounts and equities due; \$1,408.50 note of Leshar Smith & Co. dated Sept. 29, 1931, 90 days, unsecured;
Total-----	5,430,698.41	Leach Corporation-----	5	207,015.73	
Jan. 31, 1931-----	192,186.20	do-----			
Sept. 22, 1931-----	11,080.31	do-----			
Feb. 24, 1932-----	3,749.22	do-----			
Total-----	207,015.73				

Date made	Date due	Maker	Interest rate	Amount owing Apr. 16, 1932	Collateral
Feb. 24, 1932.....	Demand.....	Leach Corporation.....	Per cent 5	\$207,015.73	<p>\$2,625 note of Lesher Smith & Co. dated Oct. 14, 1931, 90 days, unsecured; \$2,625 note of Lesher Smith & Co. dated Oct. 14, 1931, 180 days, unsecured; \$500 Chas. A. Floyd dated Nov. 5, 1931, demand, unsecured; \$9,925 note of Wm. Rohrt. Wilson, dated Oct. 8, 1930, demand, secured by 2,200 shares Allied Motors Industries (Inc.), common; 87,424 shares, The Aeronautical Corporation, common; 47,500 shares, A. C. E. Corporation; 34,935 shares, Allied Motors Co., common; 100 shares, Allied Motors Industries, preferred; \$80,069.78, American Aeronautical Corporation, chattel mortgage, due Dec. 1, 1931; 50,000 shares, American Service Co., common; 600 shares, Burnham Trading Corporation, common; 1,500 shares, Burnham Trading Corporation, preferred; 12,600 shares, Cord Corporation, common; 300 shares, General Heat & Power Corporation, common; 100 shares, General Heat & Power Corporation, preferred; 15,126 shares, Grödechaux Sugar Class B; 2,524 shares, Great Lakes Aircraft Corporation, class A; 530 shares, Mid-Continent Laundries, common; 950 shares, North American Aviation; 835 shares, Van Sickle Corporation, participating A; 226 shares, Western Power Light & Telephone, preferred.</p>

Mr. PECORA. Now, had all of those loans that were outstanding last December been made to any one individual or corporation, or any one borrower, would they have exceeded the legal limitation?

Mr. STILWELL. They would.

Mr. PECORA. Now, Mr. Stilwell, did your bank have an affiliate engaged in the distribution of securities to the public?

Mr. STILWELL. It has.

Mr. PECORA. What is the name of that?

Mr. STILWELL. Continental-Illinois Co.

Mr. PECORA. How long has that been in existence and operation?

Mr. STILWELL. The Continental National Bank, prior to the merger with the Illinois Merchants, had a company known as Continental National Co. That was in 1928 and prior thereto. In 1929, when these two banks merged, they formed a new company known as the Continental Illinois Co., which has continued from then until now.

Mr. MAYER. Mr. Pecora, may I interrupt for the purpose of avoiding an ambiguity in the record?

Mr. PECORA. Certainly.

Mr. MAYER. I think the witness referred to a merger of those two companies. It is possible when the record is read that there may be some ambiguity as to the two companies.

Mr. STILWELL. I said they formed a new company, Mr. Mayer.

Mr. MAYER. The companies which merged were the two banks?

Mr. STILWELL. Yes, sir.

Mr. PECORA. Now, did this investment affiliate of the bank distribute to the public any of the debentures that were issued by Insull Utility Investments (Inc.), and by Corporation Securities Co. of Chicago?

Mr. STILWELL. It did; yes, sir.

Mr. PECORA. The loans made by your bank to those two companies were secured by stock of the Insull companies, were they not, for the most part?

Mr. STILWELL. The companies that Mr. Insull's name was identified with.

Mr. PECORA. Now, there came a time, during the latter part of 1931, when your bank, with other bank creditors of those two companies, discussed the formation of the so-called standstill agreement?

Mr. STILWELL. That is correct.

Mr. PECORA. That agreement was never formally executed by all of the creditor banks, was it?

Mr. STILWELL. Right.

Mr. PECORA. But the principle of it was adopted by all of the banks up to a certain time?

Mr. STILWELL. That is right.

Mr. PECORA. And that time was when?

Mr. STILWELL. April 15, 1932, the date of the receivership of the Middle West Utilities.

Mr. PECORA. Now, in selling those debentures, was the investment affiliate of your bank familiar with the indenture provision with respect to the security back of those debentures?

Mr. STILWELL. Well, officers of the company must have been; yes.

Mr. PECORA. Now your bank from time to time, with other of the creditor banks, during the year 1931 and up to the end of the year,

made demands for additional collateral to secure the bank loans, in view of the depreciating values of those securities and the collateral in the market?

Mr. STILWELL. That is correct.

Mr. PECORA. And, eventually, by that process, all of those creditor banks acquired virtually all of the assets consisting of securities that were in those two companies, did they not?

Mr. STILWELL. They found out subsequent to December 15 or 16 that that was the case.

Mr. PECORA. And by that process the holders of the debentures were left practically without any security for their debenture gold notes; is that not so?

Mr. STILWELL. That is right.

Mr. PECORA. That is all.

Senator BROOKHART. In making those loans—I am interested in this proposition of maintaining the market to sustain the loans while securities are being sold. When the security is being disposed of, and they get a loan, they carrying it or underwriting it, do you have an agreement with them that they will maintain the market price at a certain figure during that time?

Mr. STILWELL. No; we do not, Senator. We require collateral with a margin. If that is a clearing loan, a loan where they expect to pay it in a few days, they state so. If it is made on the demand basis we expect them to take it up on the day they say they will.

Senator BROOKHART. Supposing it is a time loan.

Mr. STILWELL. Or time either. We place no requirements on them at any time that they must maintain a market on the stocks.

Senator BROOKHART. Or margin?

Mr. STILWELL. All we require is marginal value in the market in stocks.

Senator BROOKHART. You figure up the margin, of course, at the time the loan is made?

Mr. STILWELL. That is right.

Senator BROOKHART. And do you have an agreement that the margin will be maintained?

Mr. STILWELL. No. If the market goes down we call them for additional collateral.

Senator BROOKHART. That is all.

(The witness was excused.)

TESTIMONY OF JOHN S. BROEKS MIT, VICE PRESIDENT HARRIS TRUST & SAVINGS BANK, CHICAGO, ILL.

Mr. PECORA. Is Mr. Broeksmit here?

Mr. BROEKS MIT. Yes, sir.

Senator BROOKHART (presiding). Raise your hand, Mr. Broeksmit.

You do solemnly swear that the testimony you will give in this hearing before this committee will be the truth, the whole truth, and nothing but the truth; so help you God.

Mr. BROEKS MIT. I do.

Mr. PECORA. First, give us your name and address.

Mr. BROEKS MIT. My home address?

Mr. PECORA. Either your home or business address.

Mr. BROEKSMIT. My business address is 115 West Monroe Street, Chicago, Ill. I am vice president of the Harris Trust & Savings Bank.

Mr. PECORA. What city; Chicago?

Mr. BROEKSMIT. Chicago.

Mr. PECORA. How long have you been connected with that bank in that capacity?

Mr. BROEKSMIT. Some twenty years with the bank; some eight years, I imagine, as vice president.

Mr. PECORA. Mr. Broeksmit, was your bank one of the banks that had loans outstanding against the so-called Insull companies in December of 1931?

Mr. BROEKSMIT. We were. We had one loan.

Mr. PECORA. You had one loan?

Mr. BROEKSMIT. Yes, sir.

Mr. PECORA. Amounting to how much?

Mr. BROEKSMIT. Five hundred thousand dollars.

Mr. PECORA. Made to whom?

Mr. BROEKSMIT. Insull Utility Investments (Inc.). That is the only utility loan that we had.

Mr. PECORA. That is the only loan you made to any Insull corporation?

Mr. BROEKSMIT. No; in addition to that we had one to the Federal Electric Co.

Mr. PECORA. That was——

Mr. BROEKSMIT (interposing). Of which Mr. Samuel Insull was chairman.

Mr. PECORA. Have you prepared a list of the loans that your bank had outstanding in December, 1931, which you had made to the Insull Companies?

Mr. BROEKSMIT. I have. I have it dated April 16, 1932.

Mr. PECORA. April 16, 1932?

Mr. BROEKSMIT. Yes.

Mr. PECORA. Will you present that list, please?

Mr. BROEKSMIT. Yes.

Mr. PECORA. I ask that it be spread on the record.

The CHAIRMAN. There being no objection, it is so ordered.

(The statement is here printed in the record in full, as follows:)

INSULL UTILITY INVESTMENTS (INC.)

(February 11, 1933)

Account opened July 8, 1931 and closed April 16, 1932.

Loan dated July 8, 1931, \$1,000,000, maturing November 9, 1931.

Participation: Bankers Trust Co. of New York, \$500,000.

One renewal to February 8, 1932.

On April 12, 1932 we renewed our loan of \$500,000 on a demand basis and the Bankers Trust Co. took over their participation of a like amount on their own note form.

The Insull Utility Investments (Inc.), were borrowing \$473,407.76 of our bank on April 16, 1932.

Collateral to Harris Trust Co., \$500,000 loan was:

	<i>Shares</i>
Public Service Co. of Illinois, no par.....	165
Public Service Co. of Illinois, \$100 par common.....	935
Peoples Gas Light & Coke Co.....	2,000
Commonwealth Edison Co.....	2,250

This collateral above listed stood on April 16, 1932, as security for loan of \$473,407.76.

Harris Trust & Savings Bank, Chicago, as of April 16, 1932; capital \$6,000,000, surplus \$6,000,000.

CORPORATION SECURITIES COMPANY OF CHICAGO

(February 11, 1933)

Account opened July 8, 1931, closed February 26, 1932.

Original loan December 29, 1930, \$2,000,000 maturing July 2, 1931, paid at maturity.

Participations: Chase National, \$500,000; Bankers Trust Co., \$500,000; Guaranty Trust Co., \$500,000.

Loan dated July 8, 1931, \$1,000,000, maturing January 8, 1932.

Participations: Chase National, \$500,000; Guaranty Trust, \$500,000.

Loan renewed by participating banks on their own note forms April 12, 1932.

The Corporation Securities Co. was not borrowing of our bank on April 16, 1932.

RUSSELL BREWSTER & Co.

WALTER S. BREWSTER, DIRECTOR OF INSULL UTILITY INVESTMENTS (INC.)

(February 11, 1933)

Account opened July 27, 1931.

This firm was borrowing \$122,000 of our bank on April 16, 1932. We have made them loans from time to time since the account was opened.

During 1931 their minimum borrowings amounted to \$100,000 and their maximum to \$200,000. In 1932 their minimum loans amounted to \$25,000 and maximum loans to \$182,000.

As collateral to their loans they have given us listed securities, among which we received stocks of various Insull companies. However, the percentage of such Insull securities that were lodged with us as collateral, according to our note department, did not exceed 30 to 50 per cent of the total collateral that was pledged with us.

FEDERAL ELECTRIC CO. (INC.)

(February 11, 1933)

Account opened May 28, 1923.

Line of credit \$150,000 unsecured.

This company was borrowing \$110,000 of our bank on April 16, 1932, and owes us that amount at the present time.

Mr. PECORA. Did your bank have an investment affiliate?

Mr. BROEKSMIT. We have; yes, sir.

Mr. PECORA. What is the name of it?

Mr. BROEKSMIT. The N. W. Harris Co.

Mr. PECORA. Do you know whether that company distributed to the public any of the debentures issued either by the Insull Utility Investments (Inc.) or by Corporation Securities Co. of Chicago?

Mr. BROEKSMIT. I came here to testify concerning loans, and I have no authority or responsibility in the bond department. May I correct an impression? The bond department of the Harris Trust & Savings Bank distributes securities in the West through N. W. Harris Co.; and the East, Boston and Philadelphia, has only recently become active.

Mr. PECORA. Well, that other company that you mentioned, did they distribute any of these debentures to the public?

Mr. BROEKSMIT. I think they were not active at that time. I think our bank, the Harris Trust & Savings Bank, Chicago, may have distributed some.

Mr. PECORA. Do you have any personal knowledge of that?

Mr. BROEKSMIT. No; that is not under my authority or responsibility.

Mr. PECORA. If all of the loans which your bank had outstanding in April, 1932, against the Insull companies had been combined in a loan to a single borrower, would the amount thereof have exceeded the legal limit of loans to a single borrower?

Mr. BROEKSMIT. It would be under one-third of the legal limit.

Senator BROOKHART. One moment. Did your bank make loans to other companies—Halsey, Stuart & Co.—to underwrite bond issues?

Mr. BROEKSMIT. We made loans to Halsey, Stuart & Co. on the usual collateral. A memorandum referring to the same having just been handed in.

Senator BROOKHART. And you had no agreements with reference to the market in maintaining the market value of the securities that were distributed?

Mr. BROEKSMIT. On the securities which they pledged as collateral for the loan?

Senator BROOKHART. Yes.

Mr. BROEKSMIT. No. We figured the collateral as the market may appear at the time.

Senator BROOKHART. And that is all the consideration you gave to the market under the contract?

Mr. BROEKSMIT. That is all.

(The witness was excused.)

Mr. PECORA. Mr. Chairman, yesterday afternoon the witness Davis produced a transcript of the hearing had on January 15, 1929, before the committee on stock lists of the Chicago Stock Exchange in connection with the application of Insull Utility Investments (Inc.) to list certain of its securities on that exchange. I have that transcript here, and I ask that it be spread on the records of this committee.

The CHAIRMAN. There being no objection, it will be so ordered.

(The transcript of record of the hearing had on January 15, 1929, before the committee on stock lists of the Chicago Stock Exchange, is here printed in the record in full, as follows:)

BEFORE THE COMMITTEE ON STOCK LISTS OF THE CHICAGO STOCK EXCHANGE

Present: Mr. Wallace C. Winter, chairman, Mr. Leeds Mitchell, Mr. Michael J. O'Brien, Mr. Robert J. Fischer, Mr. Warren A. Lamson, members of the committee on stock lists. Mr. Charles T. Atkinson, secretary of the Chicago Stock Exchange. Mr. Clark J. W. Colby, assistant secretary.

TUESDAY, January 15, 1929.

Committee on stock lists met pursuant to call.

IN RE APPLICATION OF INSULL UTILITY INVESTMENTS CO. APPLICATION TO LIST CERTAIN SECURITIES OF APPLICANT

There appeared on behalf of applicant Mr. Cyrus Adams, jr., attorney, Mr. Samuel Insull, jr., an officer of applicant, and Mr. Waldo F. Tobey, all of whom appeared before the committee at the beginning of this hearing.

Chairman WINTER. Mr. Adams, will you please be so good as to introduce in the record at the start, in your own phraseology the result of your interview in connection with the Insull Utility Investments (Inc.), securities with Mr. Gilbert of the securities office in Springfield.

Mr. ADAMS. Mr. Chairman and gentlemen: I saw Mr. Gilbert in Chicago a week ago yesterday and had a talk with him in regard to the matter of our

making application to the stock exchange for the listing of these debentures, prior preferred stock and common stock.

I explained the circumstances to him in connection with the securities and gave him circulars and a greater part of the data which is submitted to the stock exchange in connection with this application.

The debentures and prior preferred stock standing alone could be qualified as class C securities under the securities law but attached to the debentures and to the prior preferred are warrants entitling the holders to buy common stock at stated prices over fixed intervals. And I explained to him that the common stock would not, as a matter of record earnings at the present time be entitled to qualifications as a class C security.

I asked him whether the department would have any objection to our making application or to the stock exchange considering application for the listing of the securities. He told me here in Chicago after considering the matter that he saw no objection whatever personally but he would like to discuss the matter with the other men in his department in Springfield, which he would do on Wednesday.

He had that discussion on Wednesday morning, and it happened that Mr. Trowbridge of our office was in Springfield and in his office on another matter and he told Mr. Trowbridge that the department had discussed the situation and it would be entirely satisfactory to the department that the exchange should consider this application of listing the securities.

I expected to get some word from him and, not hearing from him I called him up personally and on the telephone and spoke to him early in the afternoon and he repeated the same statement to me.

He said, "I would be glad to have you tell Mr. Winter for me that that is the case." I asked him whether he would evidence that point of view by a letter to the committee and he said that under their regulations that it would be impossible for them to send a letter but if the committee wished any further assurance, that he would be glad to be telephoned to and he would repeat over the phone what he had said to me, but, "you may state that you have my full authority to state to them that I have no objection to the listing of these securities."

Chairman WINTER. Will you read that statement to Mr. Adams for his correction?

(And thereupon the above statement by Mr. Adams was read by the reporter.)

Chairman WINTER. Will you continue?

Mr. ADAMS. The date on which I talked to Mr. Gilbert over the telephone and he gave me this approval to express to the exchange was Wednesday, January 9, 1929.

Chairman WINTER. Who will speak for this project, Mr. Adams?

Mr. ADAMS. I will be very glad to make a brief statement.

This is an application to list \$6,000,000 of 5 per cent gold debentures series A, 60,000 shares of prior preferred stock carrying \$5.50 dividend rate of no par value, and 1,014,200 shares of common stock of no par value all of the Insull Utility Investments (Inc.).

This is a corporation organized at a very recent date under the laws of this State to carry on a general investment business and to acquire, hold, sell, and underwrite securities of all kinds.

The company commences its business with very large blocks of common stock of Commonwealth-Edison Co., Peoples Gas Light & Coke Co., Public Service Co. of Northern Illinois, and the Middle West Securities Co.; also all of the capital stock of Insull, Son & Co., which is an investment company engaged in underwriting and a substantial amount of stock of other enterprises, practically all of which are enterprises which are controlled by management of Mr. Samuel Insull.

These securities which are acquired by the company and are its portfolio at the start are, to a large extent, the personal holdings of Mr. Samuel Insull and his brother, Mr. Martin Insull and members of his family, his son and wife.

In addition to those holdings substantial amounts of these securities were being acquired by purchase contract by the company simultaneously.

The capital and assets of the company as shown by the portfolio are taken over at prices which are set forth in the auditor's statement which has been submitted to the committee including the \$3,000,000 of cash which will be realized from a sale of a portion of its common stock.

There will be total assets at present value in excess of \$27,000,000. There is about \$6,000,000—there are \$6,000,000 of the debentures, 60,000 shares of no par prior preferred or \$6,000,000 at \$100 nominal value for that, 4,000,000 of second preferred and a total of 1,014,200 shares of common stock. The company will realize from the sale of the debentures and the prior preferred stock an aggre-

gate of \$12,000,000 in cash. It will also realize—I might explain that the underwriting commission which is paid in the marketing of those securities consists in a distribution of a certain amount of common stock to the underwriting houses which will handle them, so that the total amount of cash paid for the purchase will lodge in the company's treasury.

Chairman WINTER. The full amount of cash, that is it, for the debentures and the prior preferred and the preferred stock?

Mr. ADAMS. Yes, sir. The preferred stock with 764,000 shares of common stock, is issued to Mr. Insull and the other individuals in consideration of the transfer of a large proportion of these securities and they will also receive from the company a substantial amount in cash in that transaction.

The balance of the cash assets are used in taking up the purchase contracts for other blocks of securities shown in that statement so that the company will have a working capital of, I think, something like a million dollars.

Mr. TOBEY. A million and a half.

Mr. ADAMS. About \$1,568,000.

I don't know, Mr. Chairman, that I have anything else to add in the way of a brief preliminary statement with respect to—

Chairman WINTER. What contracts, if any, or options for the purchase of any other stocks or any stocks similar to those that have been mentioned exist?

Mr. ADAMS. At the present time—I think you may have to correct me on this, Mr. Insull, there is one contract for the purchase of a substantial amount of Middle West common which has partially been paid and on which a sum of \$4,000,000 is still due.

Chairman WINTER. I did not make myself clear. What options, if any, or calls, if any, are outstanding for the purchase by any third party or first party of any of the stock of Insull Utility Investments (Inc.)?

Mr. ADAMS. So far as I know, there are none. You have no contract at the present time to sell securities in the portfolio to other individuals? Is that what you mean?

Chairman WINTER. No, I mean this: Is there any call or option outstanding for any length of time which would entitle the holder of that call or option to purchase at a price any of the securities?

Mr. ADAMS. No, I thought you were referring to the securities in the portfolio.

Chairman WINTER. No, sir, of the Insull Corporation.

Mr. ADAMS. Yes. At the present time there is a contract in the first place for a purchase of 250,000 shares of common stock at a price of \$3,000,000 in cash, that contract to be carried out by payments running throughout the year 1929.

In addition to that, the purchasers of the 40,000 shares of preferred stock have an option running over two years to buy 200,000 shares of common stock at \$15 per share.

Chairman WINTER. The company has agreed to sell that stock, the 200,000 shares and the 250,000 shares at the prices stipulated?

Mr. ADAMS. Yes, sir.

Chairman WINTER. And within the period indicated?

Mr. ADAMS. Yes, sir, and addition to that of course there are warrants attached to the debentures and also attached to the prior preferred stock under which the holder of the debentures is entitled to buy 50 shares of common at \$15 a share on or before June 30 or 40 shares at \$20 on or before December 31, 1929, or 30 shares at \$25 per share between December 31, 1929, and July, 1930.

And the same is true of the prior preferred stock.

Similar warrants are attached to the prior preferred stock for a like proportionate amount of the common stock.

Chairman WINTER. For a like amount per \$1,000 of preferred stock.

Mr. ADAMS. Yes, sir; the same amount for one share of preferred as for \$1,000 debenture.

Chairman WINTER. What will be the business of this company?

Mr. ADAMS. I think I might ask Mr. Insull if he will answer that as the vice president of the company.

Mr. INSULL. The primary business, Mr. Winter, in general of this company will be to acquire and hold securities in companies, the management of which is conducted by Mr. Samuel Insull.

To deal quite frankly with the committee, I might say that it has been felt, not only by Mr. Insull but after consultation by the various members of the respective boards of directors of the companies of which he is the head that it would be advantageous to those companies, looking to the time when unfor-

tunately Mr. Insull will not be able to exercise the management, to have some substantial community of interests in the shape of a minority holding of the securities of these respective companies; to be sure in the case of some companies the minority holding at first is not large but it is contemplated that they will be increased.

It has been felt that with the great interests in utilities on the part of investors generally and particularly of investment trusts, not only in other sections of the country but also in Europe that unless there is created a community of interests of these various utility companies in the shape of a substantial minority holding in the hands of some one institution which would be so managed as to enjoy not only the hope but the confidence and certainly the sympathy of the various sets of shareholders of the public utility companies as represented by their boards, that if that were not done over the next few decades, a substantial minority interest and a consequent community financial interest in these utility companies would be developed on the part of investors who were not sympathetic to the needs of the communities served by these companies and therefore the companies themselves.

So that the business of this company, although the company does not, by its charter, restrict itself solely to investments in specific companies, the business of the company, as long as the present board of directors of it continue or as long as it is in predominance, which will be as nearly as one can say perpetually, will be to specialize in the acquiring and the holding of securities of companies of which Mr. Insull is the head or has been the head.

Naturally the company will endeavor to secure employment for its funds from time to time in attractive investments as they are offered, but that will not alter the main purpose to which the company will devote itself.

Chairman WINTER. Is it the expectation that the concentration of control of the portfolio plus the votes represented by the portfolio stock would serve as a permanent rallying point for friendly associated stockholders which otherwise could not be provided in that way afford a superior defense to the outlander-holdings to which you refer?

Mr. INSULL. That is the expectation, Mr. Winter.

The minority holding in itself, considering the size of the company, however, substantial, it might not, could not approach a very large percentage, but if this percentage holding is in the hands of this company which friendly stockholders will see is controlled by men who have the interests of the public utility companies at heart, who are, as one might say, its operating executives, this will furnish a rallying point to the votes of the local people interested in these companies, which, rallied together would be effective and, scattered would not be effective.

Chairman WINTER. Is that the paramount consideration in the formation of this company, Mr. Insull?

Mr. INSULL. I was looking at Mr. Tobey because I would need corroboration because we are quoting Mr. Samuel Insull, but it is, I can say after corroboration, that it is the paramount object in forming the company.

Mr. ADAMS. I might say, Mr. Winter, that in presenting these documents we have tried to prepare and present a complete, perfectly frank, and very detailed statement with respect to the financial set-up of this corporation in this audit of Arthur Young & Co.

Chairman WINTER. I was about to touch on that, Mr. Adams, and I am going to ask Mr. Tobey with respect to the balance sheet what the practical necessity or the accounting necessity, if it exists at all is for taking the uncompleted investments at \$4,611,000 and offsetting them by purchase contract. Your balance sheet would be just the same if you were silent on those two entries.

Mr. TOBEY. Yes, it would. I don't know, Arthur Young & Co. looked over our books and they made this up from them.

Mr. ADAMS. That is a liability of the company, that purchase contract. It is a firm contract.

Chairman WINTER. You have agreed to buy and they have agreed to sell?

Mr. ADAMS. Yes, sir.

Chairman WINTER. Is that the only reason?

Mr. TOBEY. Yes; I think it is and I gave no instructions—no instructions were given to Arthur Young about it at all.

Chairman WINTER. Well, it would seem to have some relation to a clause in the circular. I will refer you to it in just a moment.

"The assets which will constitute the initial acquisitions of the company at current market prices have an aggregate value in excess of \$24,000,000 as compared with the \$6,000,000 principal amount of debentures to be presently outstanding."

I shouldn't say that those were net assets and they are included so as to result in the figure of \$24,809,000. That is to say, in excess of \$24,000,000.

Mr. TOBEY. I don't think so. The total here is \$29,378,000 and deducting that \$4,611,000 leaves the—we have not included that in the \$24,000,000 that you have there.

Chairman WINTER. All right, then we will take the \$20,000,000 of portfolio value and we will take the \$3,000,000 due to the \$12 per share on 250,000.

Mr. TOBEY. Yes, sir.

Chairman WINTER. Then how does the cash—how does \$1,568,000 of cash become introduced into it, where does that cash come from?

Mr. TOBEY. That cash comes from the—you see, we have completed a part—we will complete immediately a part of these contracts for the purchase of stock and of the \$12,000,000 received from the sale of the debentures and preferred stock. We are under contract to buy securities which will exhaust that amount and leave this balance of \$1,500,000.

Chairman WINTER. Young says, "The securities required for the issue of the preferred and common stock as shown above are valued at the market and of December 7 at \$9,765,908."

Mr. TOBEY. Yes, sir.

Chairman WINTER. Now, the securities acquired from the proceeds of sale of the gold debentures and the prior preferred stock and through uncompleted contract as shown above are stated at a cost value of \$15,043,620.28.

Now, that value of \$15,043,620.38 plus the \$9,765,908 are the total portfolio values that are representative of \$16,000,000 of parity divided up, \$6,000,000 of debentures, \$6,000,000 of prior preferred stock and \$4,000,000 of preferred stock and 764,000 shares of common stock?

Mr. TOBEY. Yes, sir.

Chairman WINTER. So that that would result in something like this, breaking down these figures: For \$16,000,000—for that dollar liability as represented by the \$16,000,000, always being the prior preferred stock, the debentures and the preferred stock and 764,000 shares of common stock, the company receives value as of December 7, 1928, of \$20,198,288?

Mr. TOBEY. That means that they are paying for the common stock that they are taking at \$5—

Chairman WINTER. \$5.50 a share.

Mr. TOBEY. What is the exact figure?

Chairman WINTER. It figures, I think, \$5.50 a share.

Mr. TOBEY. I think it is five something but that is not quite the whole situation.

In addition to that, these common-stock holders, as Mr. Adams will state, are paying the cost of financing. They are giving their services to the company for a 2-year period without compensation and they also—this preferred that they are taking and which they figure at \$100 a share, they get and take the reduced dividend for a period.

Chairman WINTER. But that does not show in the figure that has got to appear in the record.

Mr. TOBEY. We have got to show that that common stock—

Chairman WINTER. The balance sheet shows that there is acquired in exchange for \$16,000,000 par value of senior securities and 764,000 shares of common stock—that there is acquired value of \$20,198,288.

Mr. TOBEY. Yes, sir.

Chairman WINTER. And if there is subtracted from that the \$16,000,000 of senior securities, there is left attributable to the 764,000 shares of common stock \$4,198,288. I won't burden you particularly with that figure.

Mr. TOBEY. Yes, sir.

Chairman WINTER. Except that is just what \$20,198,288 will provide if you deduct \$16,000,000 from it?

Mr. TOBEY. Yes, sir.

Chairman WINTER. Or a value of about \$5.50 a share for the common stock?

Mr. TOBEY. Yes, that is true.

Mr. ADAMS. There is a cash item there which would enter into that computation of \$1,568,000, isn't there, which is to be added?

Chairman WINTER. I am trying to find out where that cash comes.

Mr. TOBEY. I figure—pardon me, when you said five, I got my figures mixed. It is \$7.54 they are paying; that is the way it figures out for the common stock. I made a mistake and I got it wrong.

Chairman WINTER. That is on the basis of introducing \$1,500,000 of cash in afterwards, yes.

Mr. TOBEY. Yes, sir.

Chairman WINTER. I think we will get to that. You then provide for a capital liability of 250,000 additional shares of common stock in exchange for \$3,000,000?

Mr. TOBEY. Yes.

Chairman WINTER. Of cash?

Mr. TOBEY. Yes, sir.

Chairman WINTER. So that you would have, disregarding your contingent purchase of \$4,611,000, you would have a balance sheet showing investments valued at \$20,198,288. You would have those investments?

Mr. TOBEY. Yes, sir.

Chairman WINTER. And you would have \$3,000,000 in cash?

Mr. TOBEY. Yes, sir.

Chairman WINTER. That represents the proceeds from——

Mr. TOBEY. 250,000.

Chairman WINTER. From 250,000, from 764,000 and from \$16,000,000 except for an item of \$1,568,679, which, as I understand it, is a residue left over after you have paid the agreed price in dollars for these various securities?

Mr. TOBEY. Yes, sir.

Mr. INSULL. Correct.

Mr. ADAMS. Mr. Winter, there is just one thing there, maybe I have not followed that exactly, but in the first paragraph of that statement on the last—of Arthur Young & Co. with respect to the purchase of these securities it says, "securities acquired by the issue of the preferred and common as shown above."

Chairman WINTER. Yes, sir.

Mr. ADAMS. "As valued as of December 7, amounting to nine million seven hundred sixty-five thousand and odd dollars."

Now, if you subtract from that the 4,000,000 of common stock of no par value at a price of \$100 you would have \$5,700,000 left as against the 764,000 shares of common.

Chairman WINTER. You would; yes, sir.

Mr. ADAMS. And I think that there is a value—I thought they showed a statement of \$5.50 a share—I think the value is \$5.50 a share.

Mr. TOBEY. \$7.50.

Chairman WINTER. Well, in that particular item, yes, you have that.

Mr. ADAMS. That is all right.

Chairman WINTER. Because four million deducted from nine million something leaves five million.

Mr. ADAMS. Yes, sir.

Chairman WINTER. But if you take \$20,000,000 of value or \$20,198,000 of value and lump it and deduct \$16,000,000, then you are still left to account for values attaching to other liabilities set up which are represented by 764,000 shares of common stock.

Mr. ADAMS. Yes, sir.

Chairman WINTER. And the residue attributable to that is \$4,198,288 on the basis of \$20,000,000 of value of the portfolio.

Mr. ADAMS. Yes, sir.

Chairman WINTER. But you have received from the sales of your securities more money than that.

Mr. ADAMS. Yes, sir.

Chairman WINTER. And therein lies your cash item.

Mr. TOBEY. Yes, sir.

Mr. INSULL. That is right.

Chairman WINTER. Mr. Insull, while it is quite true that the cost of financing in dollars is not immediately present, nevertheless, ultimately or sooner or later—well, the company has sold some cheap stock. The company is selling some cheap stock—that is, it is cheap stock as compared to the warrant price?

Mr. INSULL. Yes, sir.

Chairman WINTER. You have sold stock at about—well, it stands on the book at about \$7?

Mr. TOBEY. \$7.54.

Chairman WINTER. \$7.54. So that if yourself and associates exercise your option to purchase stock at \$15 a share for five years, your average of cost per share of all of the common stock that you have would be considerably diluted because of the low-priced stock that you acquire.

Now, that is not costing the company anything, if you please, but it is a cheap price compared to what you can buy any more stock for unless the market is very disappointing to you, or, compared to the price that any of your preferred shareholders can buy stock and probably compare to the price that an outsider can buy the stock in the open market at.

What are the most or all or some of the benefits that the company derives because of its sale of common shares at \$7.50?

Mr. INSULL. In the first place, the company acquires an average price less, substantially below the present market, large blocks of securities—a large block of securities of the Middle West Utilities Co. and substantial blocks of securities of the Commonwealth-Edison Co., which if it were to purchase in the open market, it would undoubtedly pay a higher price for in the present market as opposed to a lower price than the present market which it is now paying.

Chairman WINTER. Could a seller dispose in the open market of the equivalent amount of those shares as realized at that price?

Mr. INSULL. The seller could, at those prices.

Chairman WINTER. That must be a matter of opinion.

Mr. INSULL. That is a matter of opinion, Mr. Winter, based, as a matter of fact, upon inquiries for these securities.

The second item is that this company secures control or secures every share of stock of Insull, Son & Co., not upon a basis of the earnings capitalized, but upon a much more favorable basis which approximates more clearly than anything else the actual cash book value of that stock.

Insull, Son & Co. books are run altogether on an English basis. Its business is principally the disposal of our securities—of similar securities through its wholly owned subsidiary, Insull, Son & Co. of London. It also enters into fiscal operations acting largely as an agent.

The third principal advantage is that the company's discount, as you have mentioned, is taken care of and I should say that a large advantage, I should have placed if they were named in the order of importance much higher, is that the second preferred stock pays a dividend of \$2 the first year, \$3 the second year, and so on until it reaches \$6 per share.

The income which the company will save as a result of those payments being scaled down is unimportant in itself but is particularly important as it will be available for the company in the initial years of its operation and can be used for reinvestment in properties through rights which accrue to the company at a time when the company can not raise money for reinvestment as easily, possibly, as in the latter stages of its existence.

Mr. TOBEY. You are being paid \$100 a share for that stock?

Mr. INSULL. Yes, sir.

Chairman WINTER. Well, possibly this means the same thing, that the company is borrowing \$4,000,000 for a year at 2 per cent.

Mr. INSULL. Yes, sir.

Chairman WINTER. And next year at 3 per cent and the next year at 4 per cent and the next year at 5 per cent, at a time when presumably the use of the money which would otherwise be expended in defraying a higher interest rate or a fixed interest rate of 6 per cent thereafter, which becomes applicable—becomes particularly and especially valuable?

Mr. INSULL. In view of the fact that the company is accruing to-day a large amount of rights to acquire securities on not worse than a 7 per cent basis each year.

Chairman WINTER. Yes; which is another way of saying that that money can be made to work at very great advantage?

Mr. INSULL. Yes, sir.

Chairman WINTER. As against an ultimate annual dividend charge against the stock of \$240,000 the first year there will be 80,000; the second year there will be 120,000; the third year 160,000; the fourth year 200,000. As against \$240,000 for four years. There would be saved to the company without reference to the matter of bonding interest or anything of that kind in those first four years exactly \$400,000?

Mr. INSULL. Yes, sir.

Chairman WINTER. That is an actual saving in consideration of the cheapest stock so far as it can be expressed in dollars?

Mr. INSULL. Yes, sir.

Chairman WINTER. The other considerations are those of management, direction of the affairs, and the advantages that will attach to that particular management and could not in the nature of things attach to any other management?

Mr. INSULL. That is so.

Chairman WINTER. Among the list of your portfolio securities there would appear to be one item that, in my opinion, is somewhat less of the general nature than any other, and that is the holdings of a small amount, of 500 shares of Union Carbide & Carbon Co.

Is that company, in its general relation to the utility enterprises as set forth in the other stocks, bearing in mind the difference between the electric railway, as compared to the utilities stock—but what relation has Union Carbide & Carbon Co. to your general operations?

Mr. INSULL. Well, in the first place, it is engaged in the general chemical business, and the gas business in which we are engaged is more and more a chemical business and less and less a gas business.

So that representatives of the management of this company feel that they have some general knowledge of the Union Carbide & Carbon Co.'s affairs, more than they would in an industrial and, in the second place, the management of that company is in the hands of principals who were at one time the principals in the management of the Peoples Gas Light & Coke Co., and some of its influential executives are also drawn from the ranks of the Peoples Gas Light & Coke Co.

There is, one might say, a close personal and also corporate acquaintance between the two companies, without any attempt at corporate association whatsoever.

Chairman WINTER. That brings us to a little closer scrutiny of the other outstanding and conspicuous exception, Insull, Sons & Co. (Inc.), of which you have spoken.

The value set forth here is \$1,025,000 and the evidence of its value is reflected in earnings aggregating \$215,000.

Those earnings are of what year, Mr. Insull?

Mr. INSULL. Those are earnings of the year—that is the estimate of the earnings of the year 1929; 1929 is right, which is estimated on the basis of the earnings for 1928, making due allowance for the fact that the prospects for the sale of securities in England in 1929 is not quite as good as it was in 1928.

Chairman WINTER. It is with regard to the historical earnings of Insull, Son & Co. with particular reference to its performance in 1928?

Mr. INSULL. Yes, sir.

Chairman WINTER. How do the earnings in 1928 of Insull, Son & Co. (Ltd.) compare with their earnings for 1927?

Mr. INSULL. The earnings for the last three years are, allowing for the fact that the difference in money rates between here and England in certain specific periods will render impossible the sale of American securities in Europe, allowing for that fact, the earnings are very nearly level during the past three years.

For the first two years of the company's formation—it was in the formative stage, but it is an interesting fact that Insull & Son (Ltd.) of London office made a profit the first year that it was established and has made a profit ever since and, as I say, that for the last three years it has earned about on this same basis.

Chairman WINTER. When did it commence business?

Mr. INSULL. Let us see; it commenced business about five years ago.

Mr. TOBEY. About five years ago.

Mr. INSULL. That would make it 1924, yes.

Chairman WINTER. It is dependent for its profits upon a reasonable and a constant and a continuing activity in the securities business, is it not?

Mr. INSULL. It is, Mr. Winter. We feel that—I make it a practice to interview the principal European customers, if possible, once a year, probably I only do it on an average of 18 months. We find new customers springing up in localities where we have previously sold securities and so far we have found not only new localities but new countries in Europe that become interested in American securities.

They are led to invest through Insull, Son & Co., rather than possibly come over here and form a direct contact with some American house purely because of the fact that that company has been in business in Europe for some little time and the fact that Mr. Samuel Insull has disposed of securities in Europe for some little time, gives them possibly more confidence than if they were dealing with an absolutely strange name.

Chairman WINTER. It is, by and large, susceptible to disappointments as any well-conducted conservative investment concern, I take it? There is no claim made of any particular magic applying to it?

Mr. INSULL. No, sir.

Chairman WINTER. It is 20 per cent of your earnings. The earnings are \$1,060,000 and these are \$215,000. And that must, I think, admittedly be regarded as a variable, and a variable that is more likely to function, for instance, than the 8 per cent dividend on Peoples Gas?

Mr. INSULL. That is quite so, and it is for that reason that we have put—that Insull, Son & Co. has been sold to Insull Utility Investment, not on the basis of its average earnings capitalized, but on a much lower basis.

Chairman WINTER. It has assets?

Mr. INSULL. It has assets, cash, and securities.

Chairman WINTER. That is its capitalization?

Mr. INSULL. The capitalization I have not in my head; it is some very low number of shares. Its assets I have not in my head, but there are something over a million dollars.

Mr. TOBEY. I don't know what it is.

Mr. LAMSON. A thousand shares?

Chairman WINTER. A thousand shares in this portfolio?

Mr. TOBEY. That is all there is.

Mr. INSULL. Yes; that is all it is. And it has assets which it carries on its books which I have mentioned as somewhat over a million dollars, are altogether cash and securities. There is no good will or any fixed assets included in that figure whatsoever.

Chairman WINTER. They are liquid assets?

Mr. INSULL. They are liquid assets.

Chairman WINTER. Well, if the value at which they are taken over in the new company is not with regard to capitalized figure of earnings, then the \$1,250,000 of value attributable to it must be representative of cash and securities of that value?

Mr. INSULL. Yes, sir.

Chairman WINTER. Am I correct in that?

Mr. INSULL. There was a round figure taken.

Chairman WINTER. It is appropriate that some special scrutiny and discussion take place on that because substantially all of your other securities are susceptible of a value by market determination. This is not.

This application, Mr. Adams, is to list, among other things, prior preferred stock carrying nondetachable warrants. I think it is quite evident, perhaps it is self-evident that it is not the case, but it would seem not unlikely that very presently if your program of the exercise of warrants is carried through as it would appear, you would like it to be carried through, that is to say, early?

Mr. ADAMS. Yes.

Chairman WINTER. That the item of \$4,611,300 of purchase contract liability would very presently be represented by additional shares of common stock at \$12 or at \$15 a share and your \$4,611,300 of assets, of investments, would then be the offset to that additional sum.

Mr. ADAMS. Yes, that is true.

Chairman WINTER. Your desire and the purpose and the desire is to stimulate the exercise of the warrants on your preferred stock—on your prior preferred stock?

Mr. ADAMS. Yes, sir.

Chairman WINTER. And if you can do that in six months on the basis of \$15, it is more desirable than to do it in the second six months on the basis of \$20 for a lesser number of shares.

Mr. ADAMS. That is right.

Chairman WINTER. That is at \$20 per share?

Mr. ADAMS. Yes, sir.

Chairman WINTER. Now, what would you do with a prior preferred certificate on which the right to subscribe was immediately exercised? You would surrender—the holder of the prior preferred certificate would surrender it and receive in exchange a new certificate for prior preferred and his equity of common stock.

Mr. ADAMS. Yes, sir.

Chairman WINTER. The preferred stock which he received would not be the preferred stock on which there had presumably prevailed a free market on the exchange. It would be an entirely different—

Mr. ADAMS. It would be a preferred stock ex warrants.

Chairman WINTER. Now, where is your market for the then holder of the prior preferred stock, ex warrants? The minute that a prior preferred, non-detachable certificate is translated into common stock and preferred stock in

consideration of surrendering cash, there issues an entirely new flavor of preferred stock. I am wondering what you contemplate with respect to a market for that?

Mr. ADAMS. Well, I don't know that that has been discussed, but my understanding would be that of course an application would be made for a listing of that preferred stock, ex warrants, as well as with warrants.

Chairman WINTER. But you have no market. You could have no market in warrants because the warrants are nondetachable.

Mr. ADAMS. No, there could be no market in warrants. You would just have two packages, you would have the stock with the warrant on and the stock with the warrant off. Of course, the value of the warrant, I suppose, would translate itself by the spread.

Chairman WINTER. Yes, the spread, that is true.

Mr. ADAMS. It would be a determinable factor.

Chairman WINTER. But there is a formative period there where you will have a negligible amount. You are to have 60,000 shares of the original stock outstanding.

Mr. ADAMS. Well, we will that, immediately.

Chairman WINTER. Ten thousand shares of that exercises its warrants, then your position is that you have but 50,000 shares of that stock and as that diminishes through the exercise of warrants, your ex warrant stock increases.

Mr. ADAMS. That is true; one will go up and the other down, of course.

Chairman WINTER. Now, there is a period in there when the exchange would not be hospitable to a very small amount of stock and unless provision is made by the proprietors for a market in that ex warrants preferred stock, your holder is penalized in so far as any penalty might be attached to the comparative flexibility of what you might call over-the-counter in ex-warrant preferred and your free market in prior preferred with warrants.

Mr. ADAMS. Yes, I think that is true.

Chairman WINTER. You might have to look out for that. I think you would have to maintain a very good market on ex warrants prior preferred over the counter.

Mr. INSULL. Yes. Well, he had contemplated such action, Mr. Winter. We had contemplated that it would not be possible to include those ex warrant prior preferred or ex-warrant debentures purely selfishly from the view of the company.

Chairman WINTER. You would discourage the exercise of the warrants?

Mr. INSULL. You would discourage not only the exercise of the warrants, but the company's credit generally in its initial stages. That is, if the security is bought and then the market lapses.

Chairman WINTER. I think the better the market in the ex warrant prior preferred, the better the interests of the company would be served. I think that is pretty clear because it would not disable marketwise the ex warrant prior preferred which it will if there is not an equally good market over the counter.

Mr. INSULL. Yes, sir.

Chairman WINTER. Until you shall have outstanding a sufficient amount of that stock to justify being accorded a free trade in a free market. If that contingency arises, and it would arise if your program is carried out—

[At this point Mr. Fischer handed Chairman Winter a memorandum.]

Chairman WINTER. I think that suggestion, Mr. Fischer, will be very readily and heartily agreed to. I think that the 10,000 is too small, I think that it ought to be 20. Can you see any objection to agreeing that when and if there is issued an outstanding 20,000 shares of prior preferred ex-warrants inasmuch as there will be automatically stricken from trade 20,000 shares of prior preferred, with warrants, that application will be made to list on the exchange the 20,000 shares of prior preferred, ex-warrants, and thereafter from time to time such additional shares of prior preferred ex-warrants as may occur?

Mr. INSULL. I should say that we would not only agree to do so, but we would be anxious to do so. We will so agree to do.

Chairman WINTER. Let the record show that you agree so to do, then.

Mr. INSULL. We will so agree.

Mr. ADAMS. Mr. Winter, may I ask a question?

Chairman WINTER. Yes, sir.

Mr. ADAMS. Was there a corrected proof of circular delivered here to-day to the exchange?

Chairman WINTER. I don't know whether a corrected proof was delivered here. I haven't it before me.

Mr. COLBY. No; we didn't receive any.

Mr. ADAMS. There was a slight change made in the circular which we were planning to submit and I thought that they were sent over. They just came in, so far as I saw, late this afternoon to the office.

Chairman WINTER. Does it change—

Mr. ADAMS. It changes this statement right here with respect to the assets of the company so as to make a reference to the conclusion of the \$3,000,000 in cash.

Mr. TOBEY. We thought there was some ambiguity between the note and that.

Mr. ADAMS. With reference to the 250,000 shares of stock?

Chairman WINTER. Yes, you give the effect to the immediate translation of 250,000 shares into dollars.

Mr. TOBEY. Yes, sir; that is the only change.

Chairman WINTER. That is all right.

Now, how many shares are involved through warrants, total shares?

Mr. ADAMS. Six hundred thousand.

Chairman WINTER. Well, if your 1,014,000 shares were admitted to trade, you would not wish to discriminate between those particular shares and any other shares that were issued through the exercise of warrants?

Mr. ADAMS. No, not at all. We would want to list those as fast as they were available for trading under whatever arrangement the stock exchange would deem proper.

Mr. O'BRIEN. Isn't it a fact that this common stock will represent a great many of those purchase warrants?

Mr. ADAMS. Yes, sir; I think it will.

Chairman WINTER. That is the point right here. The query is whether you should not list all of the stock that is contemplated and then admit to trade from time to time the stock that would result.

Mr. ADAMS. The only reason the stock was not applied for in that way was the question whether we could list stock represented by warrants which might never be exercised.

I think it is quite essential that all of the stock that is out in the public's hands should be listed. If it is proper to amend that application so as to cover the whole million six hundred-odd thousand shares, why we will be pleased to do it.

Chairman WINTER. I think it is.

Mr. ADAMS. Then, if it is in order, I would ask to amend the application on that basis at once.

Chairman WINTER. I am sure that would be all right.

Mr. MITCHELL. No; you just have to have the million fourteen available for trading now, but list the whole business now.

Chairman WINTER. Instead of making application to list, simply admit to trade from time to time?

Mr. ADAMS. Yes, sir.

Chairman WINTER. I know that there are a great many questions that I have not asked you, that I ought to, and I rely on my associates on the committee to substitute.

Have you any questions, gentlemen?

Mr. FISCHER. I have not.

Mr. O'BRIEN. I have not.

Mr. MITCHELL. I would like to ask Mr. Adams if these concise statements of these beautiful securities are going to be forthcoming each year?

Chairman WINTER. I was going to get to that phase of it and perhaps this is as good a time as any to get into the record and have our minds meet.

Mr. ADAMS. Well, that is my understanding, that there would be a statement of the portfolio.

Chairman WINTER. Just so that the public gets an idea.

Mr. INSULL. Do you mean furnished to the stock exchange or to the public?

Mr. MITCHELL. No, no; to the stock exchange.

Chairman WINTER. I think we are about to go further than that. It is altogether probable that a recommendation will issue to the board of governors from this committee that these shares shall be listed.

Assuming that the governors of the exchange would approve of the recommendation of the stock list committee, there would then be on the exchange the shares of a company or corporation in the nature of an investment trust. The stock exchange feels and is of the opinion that investment trusts will need to be recognized in some way by the exchange.

The exchange however, has not formulated a questionnaire which would particularly and especially apply to investment trusts. It proposes to immediately study the question and to provide, in so far as it is able, some guide for applicant companies to follow with respect to the requirements whatever they may be, as they may be determined.

The exigencies of this case and the expedient thing from your point of view does not and has not permitted of the preparation of the questionnaire nor of the formulation and the consideration of various agreements and understandings which, when such questionnaire is compiled, will doubtless be present in that questionnaire.

The agreements between the applicant company and the exchange are not at this moment susceptible of statement.

It is not unlikely that when they are formulated they may be regarded by applicant companies as onerous, unreasonable, illogical, superfluous, unnecessary, as, indeed, they may.

Gradually, whatever they are, they will be resolved into a proper and competent questionnaire. It may not be very soon, but we would certainly expect this applicant company would agree to submit to the exchange; that its attitude toward the public should conform to the requirements of the questionnaire when and if it is formulated by the exchange.

Mr. INSULL. Yes, sir.

Chairman WINTER. The point being simply this, that in all frankness it would not be and is not thinkable nor would you desire to have a special exemption in terms that should and ought to be and are of general application in similar situations.

Mr. INSULL. Yes, sir.

Chairman WINTER. So we would expect and do wish it to enter the record that you will conform to the requirements of the exchange with respect to this application as may be required by a questionnaire to be provided and to apply in such case.

Mr. INSULL. We would so comply.

Mr. ADAMS. We might want to quarrel with you a little bit about it.

Chairman WINTER. Undoubtedly would. And let me say, in the record or out, it makes no difference if it is not said: And your acquiescence in that consent is not sought with an idea to hold you, of course, to any unreasonable requirements.

We are new in this; the public is new. I think that you may well appreciate that a degree of publicity that might be distasteful to you, but nevertheless would not be upon analysis. An unfair requirement might be one of those considerations.

If you are going before the public; if you ask the public for support in your enterprise, you must, nevertheless duly and at the appropriate time and in the proper manner let the public know what there is back of your obligation to pay.

Mr. ADAMS. Yes, sir.

Chairman WINTER. We shall not make it unnecessarily onerous.

Mr. ADAMS. I had in mind particularly one of the blue skies I saw somewhere this summer, I have forgotten where, but it started out on the theory that they would require every investment trust to publish a statement every time they bought or sold anything.

Chairman WINTER. Well, that is an idea. What distribution is there going to be of this common stock?

Mr. INSULL. The common stock, as initially—

Mr. ADAMS. The initial distribution is to about 150 individuals. Of course, that will spread very, very rapidly, but in the first place there will be a substantial block that will be placed over a broad number of individual possessions.

I think we have 100,000 shares that will be spread out pretty rapidly and then besides that there are all of these warrants that will tend to bring about a very good distribution as soon as they are exercised.

Chairman WINTER. I mean, distribution with reference to the 1,014,000?

Mr. ADAMS. One million and fourteen thousand?

Chairman WINTER. What distribution will there be of those?

Mr. ADAMS. Well, there is, right off the bat, a distribution of about 150 individuals.

Mr. TOBEY. One hundred and fifty stockholders?

Mr. ADAMS. One hundred and fifty stockholders.

Mr. INSULL. It might be well to state for the record that this 250,000 shares is to be offered to the principal key men in various companies in which this investment company will have invested.

Mr. LAMSON. 250,000?

Mr. INSULL. Two hundred and fifty thousand, yes; and to certain other individuals, who have been closely associated with those companies.

Chairman WINTER. Well, the 1,014,200 shares of stock is represented by 754,000 shares and 250,000 shares?

Mr. INSULL. Yes, sir.

Chairman WINTER. I know that, or at least I think I know that. Now, that is quite a tidy little concentration of stock and it is constipated and nothing else. I take it that the 764,000 shares of stock are not and will not be for sale?

Mr. INSULL. No; they will not, Mr. Winter.

Chairman WINTER. Your 60,000 shares of prior preferred will be of a general distribution through Halsey, Stuart & Co., I take it?

Mr. INSULL. Yes, sir.

Chairman WINTER. Or the utilities?

Mr. TOBEY. The utilities.

Chairman WINTER. Halsey, Stuart takes the debentures?

Mr. TOBEY. The debentures.

Mr. ADAMS. There will be several thousand holders there. I think a statement was filed of the estimated distribution.

Mr. INSULL. We contemplate a distribution of the prior preferred shares to the utility company, stating that they shall have a certain minimum distribution.

Mr. O'BRIEN. Am I to understand that the application is to be amended by adding 600,000 shares?

Chairman WINTER. Yes, sir; with the note that reserved for the exercise of warrants, 300 and 300 respectively.

I will ask you to repeat that last remark to me, I didn't get it.

Mr. INSULL. We have stipulated in the sale of the prior preferred shares to the Utilities Securities Co. that in reselling them they shall secure a certain minimum distribution which minimum distribution is the basis of the estimate we have filed with the committee. That is the minimum number of shares.

Mr. TOBEY. They only allow us to buy so many shares.

Chairman WINTER. That is, there shall be a maximum to one person?

Mr. INSULL. Yes.

Mr. TOBEY. Yes.

Chairman WINTER. Is that maximum a matter of general information? It would be if I wanted to buy 10,000 shares of Halsey, Stuart and he told me I couldn't.

Mr. INSULL. Mr. Winter, I am not clear in my own recollection whether we have restricted them to a maximum number of shares or a minimum number of shareholders.

Chairman WINTER. Your purpose is defeated if you do not get a broad public interest in this matter.

Mr. INSULL. Yes, sir.

Chairman WINTER. Is there anything else?

(And thereupon there was no response.)

Mr. ADAMS. I want to say to the committee that we appreciate very much the courtesy and the time that you have given us.

Chairman WINTER. Very well. Thank you very much, gentlemen. That will be all then.

(Which were all of the proceedings had in the matter of the application of Insull Utility Investments (Inc.), before the committee on stock lists of the Chicago Stock Exchange on this, the 15th day of January, 1929.)

Mr. PECORA. Mr. Chairman, that will conclude the evidence we have to offer on this particular line of inquiry or investigation, subject, of course, to the introduction and spreading on the record the written data that has been called for.

The CHAIRMAN. The data to be prepared?

Mr. PECORA. The data to be prepared.

And I will say now that we will be prepared to present further evidence to this committee on February 21 and for several days thereafter, with regard to another phase or line of this investigation or inquiry. I will ask that the committee arrange to hold public hearings for that purpose.

The CHAIRMAN. The committee will therefore adjourn and will convene here on Tuesday, February 21, 1933, at 10 o'clock a. m.

Mr. PECORA. All the witnessess who have been subpcœnaed to appear before the committee this week are now excused from further attendance before this committee, with the exception of Mr. George W. Davidson.

(Whereupon, at 5 o'clock p. m. on Friday, February 17, 1933, the committee adjourned to meet on Tuesday, February 21, 1933, at 10 o'clock a. m.)

STOCK EXCHANGE PRACTICES

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE COMMITTEE ON BANKING AND CURRENCY UNITED STATES SENATE

SEVENTY-SECOND CONGRESS

SECOND SESSION

ON

S. Res. 84 and S. Res. 239

RESOLUTIONS TO THOROUGHLY INVESTIGATE PRACTICES
OF STOCK EXCHANGES WITH RESPECT TO THE
BUYING AND SELLING AND THE BORROWING
AND LENDING OF LISTED SECURITIES
THE VALUES OF SUCH SECURITIES
AND THE EFFECTS OF SUCH
PRACTICES

PART 6

(NATIONAL CITY; CONTINUATION OF
RICHARD WHITNEY TESTIMONY)

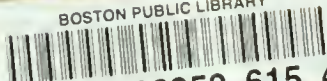
FEBRUARY 21, 22, 23, 24, 27, 28, AND MARCH 1 AND 2, 1933

Printed for the use of the Committee on Banking and Currency



UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1933

BOSTON PUBLIC LIBRARY



3 9999 06352 615 4

